

ACCOUNTING

Time allowed – 1½ hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks |
|---|-------|
| 1. "Financial statements are required to give a true and fair view of the financial results of the entity"- Explain in the light of BFRS. | 5 |
| 2. Mr. X brought Tk.20,000 as capital. He purchased a market stall from Mr. Y for Tk.12,000. He also purchased some flowers from a trader in wholesale market at a cost of Tk.8,500 of which Tk.1,500 on credit. This leaves Tk.1,000 in cash, after paying for the stall and goods for resale, X keeps Tk.750 in the bank and keeps Tk.250 in small change. He is now ready for his first day of market trading on 1 July 2009.

Prepare opening balance sheet of Mr. X as on 1 July 2009 and determine capital and liabilities. | 5 |
| 3. According to BFRS framework who are the users of accounting information and what are their needs? | 5 |
| 4. Why it is important to distinct income and expenditure into capital and revenue? State which of the following items are capital expenditure and why?
(a) Purchase of machinery
(b) Depreciation of building
(c) Repairs of computer
(d) Extension of office building
(e) Custom duty paid on machinery when imported. | 5 |
| 5. What is the meaning of following terms as per BAS Framework?
a. Prudence
b. Substance over form. | 5 |
| 6. Recorded in the sales day book and the purchases day book of a business are the following transactions:
i) The business sells goods on credit to Mr. P for Tk.2,00,000
ii) The business buys goods on credit from Q Ltd. for Tk.4,00,000

How and where are these transactions posted in the ledger accounts from the books of original entry? | 5 |
| 7. At 31 March 2010, the balance in K. Rahman & Co's cash book was Tk.52,500 debit. A bank statement on 31 March 2010 showed K. Rahman & Co. to be in credit at the bank by Tk.1,12,700. On investigation of the difference, it was established that:
i) The cash book had been overcast by Tk.1,500 on the debit side.
ii) Cheques paid in but not yet credited by the bank were Tk.3,300.
iii) Cheques drawn not yet presented to the bank were Tk.65,000.

Prepare a statement reconciling the balance per the bank statement to the balance per the cash book. | 5 |

[Please turn over]

8. a) Define Going concern as per BAS 1. 3
b) A retailer commence business on 1 January and buys 20 washing machines, costing Tk.10,000. During the year he sells 18 machines at Tk.15,000 each. How should the remaining machines be valued at 31 December in the following circumstances? 5
i) He is forced to close down his business at the end of the year and the remaining machines will realize only Tk.6,000 each in a forced sale.
ii) He intends to continue his business into the next year.

9. How inventories are measured as per BAS 2? Explain the concept of Net Realizable value (NRV). 5

10. ST Manufactures Limited, a Textile equipment manufacturing company for retail industry. The inventory of ST currently valued at cost. There is a market for the part completed product at each stage of production. The cost structure of the equipment is as follows:

	Cost per unit Taka	Selling price Per unit Taka
Production Process – 1st stage	100,000	105,000
Conversion costs – 2nd stage	<u>50,000</u>	
Finished product	<u>150,000</u>	170,000

The selling costs are Tk.1,000 per unit and ST has 100,000 units at the first stage of production and 200,000 units of the finished product at 31 May 2010. Shortly before the year end, a competitor released a new model onto the market which caused the equipment manufactured by St to become less attractive to customers. The result was a reduction in the selling price to 145,000 of the finished product and 95,000 for 1st stage product.

Determine the value of closing stocks to be recorded in the ST's books of accounts. 5

11. Explain "Changes in Accounting Estimates" according to BAS-8 with examples. 5

12. Write a memorandum to the Board of Directors of a banking company justifying the rationale for re-estimating the useful lives of the fixed assets and changing the depreciation method from Reducing Balance Method to Straight Line Method. 4

13. An assets had a cost of Tk.1,00,000, an estimated useful life of 10 years and a residual value of Tk.18,000. At the start of year 3 a review shows its remaining useful life was unchanged but the residual value was reduced to nil. 4
Calculate the depreciation charge for each year 1 to 3 on the straight line basis.

14. PQR commenced trading on 1 January 2001. On that date he purchased a building for Tk.1,20,000 to be depreciated over 30 years with residual value. After five years trading on 1 January 2006 PQR concludes his building has a fair value of Tk.175,000. It still has a further 25 years of useful life remaining. 5
Give Journal entries for revaluation.

[Please turn over]

15. The balance sheet of Marcellus Ltd. at 31 December 20X1 is as follows:

8

	Tk.
ASSETS	<u>40,000</u>
EQUITY AND LIABILITIES	
Ordinary Share Capital (80,000 shares @Tk.10 per share)	8,000
Share premium account	10,000
Retained earnings	<u>6,000</u>
Equity	24,000
Liabilities	<u>16,000</u>
Total equity and liabilities	<u>40,000</u>

The directors decided to make a 1 for 5 bonus issue. This will be followed by a 1 for 3 rights issue at Tk.32 per share.

Show the revised balance sheet of Marcellus Ltd. after both share issues have taken place.

16. On 1 January 20X8 Gwyn Food Stores had goods in inventory value at Tk.10,000. During 20X8 its owner purchased supplies costing Tk.50,000. Sales for the year to 31 December 20X8 was 80% of total stock amounted to Tk.62,000.

5

Compute the amount of profit for that period.

17. At 1 April 20X8 a business had total outstanding debts of Tk.12,500. During the year to 31 March 20X9 the following transactions took place.

6

- a) Credit sales Tk.46,000
- b) Payments from customers Tk.48,000
- c) Two debts, for Tk.280 and Tk.480, were declared irrecoverable and the customers are no longer purchasing goods from the company. These are to be written off.

Prepare the trade receivable account and the irrecoverable debts account for the year.

18. Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 2009:

10

	Taka
Trade receivables, 1 July 2008	130,000
Trade payables, 1 July 2008	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discounts allowed	1,400
Discounts received	2,960
Contra between payable and receivables ledgers	2,000
Trade receivables, 30 June 2009	181,000
Trade payables, 30 June 2009	84,000

What figure should appear in Annie's income statement for the year ended 30 June 2009 for purchases.

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- | | Marks |
|--|--------|
| 1. What are the components to be included in a complete set of financial statements as per BAS 1? | 6 |
| 2. A Company has two non current assets. Asset M was bought for Tk. 17,00,000 some years ago and is now valued at Tk. 49,00,000. This asset is not depreciated. Asset N was bought for Tk. 10,00,000 five years ago and has been depreciated at 10% on cost per annum. It is now valued at Tk. 16,00,000. There is no change to its useful life.
Requirement:
Show the journal entries of the revaluations and extract balance sheet of the non current assets and the revaluation reserve. Calculate the annual depreciation charge for assets N following the revaluation. | 8 |
| 3. Differentiate between Finance Lease and Operating Lease. | 6 |
| 4. What is the difference between Accounting Depreciation and Tax Depreciation.
Calculate the year wise depreciation and written down value under two options from the under noted information.
Cost of vehicle: Taka 100,000.00
Book rate of Depreciation: 20% on straight line basis
Tax rate of Depreciation: 20% on reducing balance method
Economic Life of the Asset: 5 years
Residual value after 5 years: Taka 40,000.00
Sale proceeds of vehicle: Taka 35,000.00
Selling expense: Taka 5,000.00 | 3+5 |
| 5. Define accounting equation. How would each of these following transactions affect the accounting equation in terms of increase or decrease in asset, capital and liability?
(a) Purchasing Tk. 1000 worth of goods on credit.
(b) Paying mobile bill Tk. 350
(c) Paying Tk. 300 to a supplier
(d) Selling Tk. 1200 worth of goods for Tk. 900 | 2+4 |
| 6. What is trade and cash discount? Flora Ltd recently purchased 50 televisions at the cost of Tk. 20,000.00 each. A 11% discount was negotiated together with a 5.50% cash discount if payment was made within 16 days.
Calculate the following:
a. total trade discount
b. total cash discount | 2+4 |
| 7. What is the income statement? On 1 January 2010, X had doubtful debts allowances of Tk. 1000. During 2010 he wrote off debts of Tk. 600 and was paid Tk. 80 by the liquidator of a company whose debts had been written off completely in 2009. At the end of 2010 it was decided to adjust the doubtful debts allowance to Tk.900.
What is the net expense for irrecoverable debts in the income statement for 2010? | 2+4 |
| 8. What is conversion cost and replacement cost? A business has valued its inventory at Tk.1000, being the selling price of the items. What is the cost of closing inventory at cost assuring the business operates?
(i) On a margin of 25%
(ii) On a mark-up of 25% | 3+4 |
| 9. Explain the following terms as per BAS framework:
a. Materiality and Aggregation
b. Offsetting
c. Neutrality and Completeness | 9 |
| 10. A payable control account contains the following entries: | 7 |
| Tk. | |
| Discount received | 4,150 |
| Bank | 73,200 |
| Credit Purchase | 81,230 |
| Contra with receivables account | 3,500 |
| Balance c/d at 31 December 2010 | 7,310 |

[Please turn over]

- There are no other entries in the account. What was the opening balance brought down at 01 January 2010?
11. Rahmat, a sole trader, has agreed to sell his business to X Ltd for Tk. 1,17,000 in consideration to be paid in Tk.0.50 shares valued at Tk. 0.90 each. The following information is available about Rahmat's business as at the sale date:

8

	Tk.
Cash	2,220
Fixed assets (net book value)	43,000
Creditors	3,250
Stock	2,100
Debtors	3,150

X Ltd values Rahmat's fixed assets at Tk. 45,000 and stock Tk. 2,000; Rahmat is to retain the cash and pay off the creditors.

Calculate:

- (a) The gain/ loss on realization in Rahmat's book.
 (b) Goodwill and shares to be issued by X Ltd.
12. Define the following:
- (a) Tangible and Intangible Asset
 (b) Goodwill
 (c) Share Premium

6

13. Mr. Y maintains his accounts under cash system. For the year ended December 31, 2008 his net income was ascertained at Taka 24,200.00. He provides for depreciation on equipment Taka 200.00. The following information is supplied:

8

	On 01.01.2008 Taka	On 31.12.2008 Taka
Accrued Fees	1,500.00	1,000.00
Outstanding Rent	500.00	500.00
Subscription to professional body	0.00	125.00

The estimate for depreciation excludes depreciation of Taka 50.00 on surgical equipment.

Show the necessary entries to convert his accounts into accrual system and prepare his Capital Account which has a credit balance of Taka 92,600.00 after transfer of profit of Taka 24,200.00 mentioned above.

14. The balance sheet of Quality Limited contains the following information.

9

<u>Assets</u>	<u>Tk'000</u>
Non current assets	19,000
Current assets	<u>3,600</u>
Total assets	22,600
	=====

Equity and liabilities

Ordinary shares of Tk.0.50 each	6,000
Share premium account	5,700
Retained earnings	7,000
Liabilities	<u>3,900</u>
Total equity and liabilities	22,600
	=====

The company decided to make a 1 for 4 rights issue for cash, fully paid, at a price of Tk. 1.50 per share.

Requirement:

What are the balance for (a) current assets (b) ordinary shares and (c) share premium after the rights issue?

The End

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- | | Marks | | | | | | | | | | | | | | | |
|--|----------------------------|----------------------------|----------------------------|----------|-----|-----|-------------------|--------|-----|-------------------|--------|-----|-------------------|--------|-----|--|
| 1. Write short notes on the followings:
i) Capital income, ii) Historical cost, iii) Cash discount, iv) Offsetting. | 10 | | | | | | | | | | | | | | | |
| 2. Assets = Capital + Liabilities. Explain. | 6 | | | | | | | | | | | | | | | |
| 3. What are Capital Expenditure and Revenue Expenditure?
Classify the following between Capital Expenditure and Revenue Expenditure giving brief reasons in each case: | 4
5 | | | | | | | | | | | | | | | |
| i) Stock valued at Tk.10,000 and Machinery appearing in the books at a value of Tk.4,000 which were destroyed by fire and for which Tk.10,500 and Tk.4,250 respectively were received from the insurance company. | | | | | | | | | | | | | | | | |
| ii) Cost of conversion of gas plant to oil fuel plant for the generation of electricity. | | | | | | | | | | | | | | | | |
| iii) Expenses incurred on research for a particular product which ultimately did not result in success. | | | | | | | | | | | | | | | | |
| iv) Accrued dividend or interest included in the cost price of an investment. | | | | | | | | | | | | | | | | |
| v) Lawyer's fees for drafting an agreement of lease for an immovable property. | | | | | | | | | | | | | | | | |
| 4. Differentiate between debenture and stock. | 4 | | | | | | | | | | | | | | | |
| Journalize the following transactions in the books of Triplex Ltd. | 4 | | | | | | | | | | | | | | | |
| Triplex Ltd. issued 10,000, 6% Debentures of Tk.100 each at a premium of 10% payable Tk.25 on application, Tk.35 on allotment (<i>including premium</i>) and the balance on first and final call. | | | | | | | | | | | | | | | | |
| Applications were received for 15,000 debentures. All allotments were made proportionately, oversubscriptions being applied to the amount due on allotment. All sums due were received by the company in due course. | | | | | | | | | | | | | | | | |
| 5. Mr. Shafayet realizes that his business will suffer an increase in customers not paying in the future and so he decides to make an allowance against those who are at greater risk at each year end. | | | | | | | | | | | | | | | | |
| <table style="margin-left: auto; margin-right: auto;"><thead><tr><th></th><th style="text-align: center;">Balance on receivables a/c</th><th style="text-align: center;">Balance at risk of default</th></tr><tr><th></th><th style="text-align: center;">Tk.</th><th style="text-align: center;">Tk.</th></tr></thead><tbody><tr><td>Year end 31.12.07</td><td style="text-align: center;">15,200</td><td style="text-align: center;">304</td></tr><tr><td>Year end 31.12.08</td><td style="text-align: center;">17,100</td><td style="text-align: center;">342</td></tr><tr><td>Year end 31.12.09</td><td style="text-align: center;">21,400</td><td style="text-align: center;">214</td></tr></tbody></table> | | Balance on receivables a/c | Balance at risk of default | | Tk. | Tk. | Year end 31.12.07 | 15,200 | 304 | Year end 31.12.08 | 17,100 | 342 | Year end 31.12.09 | 21,400 | 214 | |
| | Balance on receivables a/c | Balance at risk of default | | | | | | | | | | | | | | |
| | Tk. | Tk. | | | | | | | | | | | | | | |
| Year end 31.12.07 | 15,200 | 304 | | | | | | | | | | | | | | |
| Year end 31.12.08 | 17,100 | 342 | | | | | | | | | | | | | | |
| Year end 31.12.09 | 21,400 | 214 | | | | | | | | | | | | | | |
| Requirements: | | | | | | | | | | | | | | | | |
| For each of the three years: | | | | | | | | | | | | | | | | |
| (a) What are the closing trade receivables and allowances for receivables balance? | 6 | | | | | | | | | | | | | | | |
| (b) What charge is made to the income statement? | 3 | | | | | | | | | | | | | | | |
| 6. The debit balance in ABC Ltd.'s cash book at the year end is Tk.45,220. The following items appear in the bank reconciliation at the year end. | | | | | | | | | | | | | | | | |
| <table style="margin-left: auto; margin-right: auto;"><tbody><tr><td>Unpresented cheque</td><td style="text-align: right;">Tk.2,880</td></tr><tr><td>Uncleared lodgments</td><td style="text-align: right;">Tk.9,187</td></tr></tbody></table> | Unpresented cheque | Tk.2,880 | Uncleared lodgments | Tk.9,187 | | | | | | | | | | | | |
| Unpresented cheque | Tk.2,880 | | | | | | | | | | | | | | | |
| Uncleared lodgments | Tk.9,187 | | | | | | | | | | | | | | | |
| A customer's cheque for Tk.2,210 was returned unpaid by the bank before the year end, but this has not been recorded in the cash book. | | | | | | | | | | | | | | | | |
| What was the balance in hand shown by the bank statement? | 6 | | | | | | | | | | | | | | | |
| 7. From the following transactions prepare the journal entries and show the effect of transactions: | 8 | | | | | | | | | | | | | | | |
| a) Started business with Tk.25,000 in cash. | | | | | | | | | | | | | | | | |
| b) Bought machinery on credit from XYZ Co. Tk.10,000. | | | | | | | | | | | | | | | | |
| c) Bought office furniture for cash Tk.3,000. | | | | | | | | | | | | | | | | |
| d) Sold some of the office furniture (not suitable for the business) on credit to Momen & Sons for Tk.500. | | | | | | | | | | | | | | | | |
| e) Returned part of machinery worth Tk.2,000 to XYZ Co. due to some defects. | | | | | | | | | | | | | | | | |
| f) Paid the amount due to XYZ Co. | | | | | | | | | | | | | | | | |
| g) Cash withdrawn by proprietor for personal use Tk.200. | | | | | | | | | | | | | | | | |
| h) Received the amount due from Momen & Sons. | | | | | | | | | | | | | | | | |

[Please turn over]

8. On 1 January 2008 XYZ Co. buys a non-current asset for Tk.12,00,000 with an estimated useful life of 20 years and no residual value. The company depreciates its non-current assets on a straight line basis. Its year end is 31 December. On 31 December 2010 the asset will be included in the balance sheet as follows:

	Tk.
Non-current asset at cost	12,00,000
Accumulated depreciation	<u>(180,000)</u>
	<u>10,20,000</u>

On 1 January 2011 the remaining useful life is revised to 15 years from that date. Calculate the revised annual depreciation charge. 7

9. PQR company has two non-current assets. Asset M was bought for Tk.2,40,000 some year ago and is now valued at Tk.5,000,000. This asset is not depreciated.

Asset N was bought for Tk.7,00,000 five years ago and has been depreciated at 10% on cost per annum. It is now valued at Tk.12,00,000. There is no change to its useful life.

Show the journals to record the asset revaluations, and show the balance sheet extracts for the non-current assets and the revaluation reserve. Calculate the annual depreciation charge for asset N following the revaluation. 9

10. Terry Carpets sells floor covering to the public. At its year end 31 December 2009 it has recorded as sales Tk.12,000 received from customers as deposits on carpets which are not due to be invoiced until February 2010. In January 2010 it records a Tk.500 refund from one of its main suppliers as a result of exceeding the agreed level of custom during 2009.

Prepare journals:

- (a) Recording these transactions in the ledger accounts for the year-ended 31 December 2009. 4
 (b) Recording these transactions in the ledger accounts for the year ended 31 December 2010. 4

11. L, N and M are in partnership and share of profits in the ratio 3:2:1. They also agree that:
 (a) All three should be received interest at 12% on capital.
 (b) M should receive a salary of Tk.6,000 per annum.
 (c) Interest will be charged on drawings at the rate of 3% (charged on the total drawings in the year).
 (d) The interest rate on the Tk.6,000 loan from L is 5%.

Their capital and current accounts as at 1 January 2010 are as follows:

	Tk.	Tk.
Capital account as at 1.1.2010		
L	20,000	
N	8,000	
M	<u>6,000</u>	34,000
Current account as at 1.1.2010		
L	9,500	
N	3,300	
M	<u>8,800</u>	21,600
Drawings made during the year to 31 December 2010 were:		
L	(6,000)	
N	(4,000)	
M	<u>(7,000)</u>	<u>(17,000)</u>
		<u>38,600</u>

The net profit for the year to 31 December 2010 was Tk.24,870 before deducting loan interest.

Prepare a profit and loss appropriation statement for the year to 31 December 2010, and the partners capital accounts and current accounts at that date. 10

12. Horace Ltd. has the following transactions with respect to its product T:

Opening inventory: Nil

Buys 10 units at Tk.300 per unit

Buys 12 units at Tk.250 per unit

Sells 8 units at Tk.400 per unit

Buys 6 units at Tk.200 per unit

Sells 12 units at Tk.400 per unit

Using FIFO, calculate the following on an item by item basis: 10

- i) Closing inventory, ii) Sales, iii) Cost of sales, iv) Gross profit

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- | | Marks |
|---|-------|
| 1. (a) "A business should produce information about its activities because there are user groups who want or need to know that information in order to make economic decisions," – Discuss in the light of BAS-1. | 5 |
| (b) Summarize the Qualitative characteristics of useful accounting statement according to BAS Framework. | 5 |
| 2. Soft Supplier Co. recently purchased from Hard Imports Co. 10 printers originally priced at Tk.20000 each. A 10% trade discount was negotiated together with a 5% cash discount if payment was made within 14 days. Calculate the following: | |
| i) The total of the trade discount, ii) The total of the cash discount. | 6 |
| 3. (a) Even if the trial balance balances, there may still have some types of errors in the ledger accounts. What are those errors? Explain. | 4 |
| (b) As at 31.12.2010 a business had the following nominal ledger balances. | |

	Balance Taka		Balance Taka
Bank loan	12,000	Sales	34,600
Cash at bank	11,700	Other payables	1,620
Capital	13,000	Trade receivables	12,000
Rent	1,880	Bank loan interest	1,400
Trade payables	11,200	Other expenses	11,020
Purchases	12,400	Non-current assets	22,020

On 31.12.2010 the business made the following transactions after the balance listed above had been calculated:

Bought materials for Tk.1,000, half for cash and half on credit.

Sales of Tk.1,040, Tk.800 of which was on credit.

Paid wages to shop assistant Tk.260 in cash.

Draw up a trial balance showing the balances as at 31.12.2010. 8

4. What is the meaning of following terms as per BAS Framework?
- (i) Going concern
 - (ii) Substance over form 8
5. The following transactions were carried out by a trading house:
- a. Business received an invoice for Tk.250 from a supplier which was omitted the books entirely.
 - b. Repairs worth Tk.150 were incorrectly debited to the non-current asset (machinery) account instead of the repair account.
 - c. The bookkeeper of a business reduced cash sales by Tk.280 because he was not sure what the Tk.280 represented. In fact, it was drawings.
 - d. Telephone expenses of Tk.540 were incorrectly debited to the electricity account.
 - e. A page in the sales day book had been added up to Tk.28,425 instead of Tk.28,825.
- Write out the journal entries which would correct these errors. 5
6. What is impairment loss? A business purchased a building on 1 January 2005 at a cost of Tk.1,00,000. The building had a 20 years life. On 31 December 2009, the business decides that since property prices have fallen sharply and future trading prospect are poor, the building is now worth only Tk.60,000 and the value of the asset should be reduced accordingly in the financial statements of the business for the year ended 31 December 2009.

The building was being depreciated over 20 years, at the rate of 5% per annum on cost.

Calculate the impairment loss, revised depreciation and annual charge against profit in 2009. 4+6

[Please turn over]

7. (a) A company begins trading on 1 January 2010 and sales of Tk.1,50,000 during the year to 31 December 2010. At 31 December there are receivables of Tk.12,000. Of these it is uncertain whether Tk.5,000 will be paid. Exercise your prudence to solve the matter. 5
- (b) Fiza trades as a carpenter. He makes furniture for customer at an agreed price of Tk.25,000. At the end Fiza's accounting year the job is unfinished and the following data have been assembled.

Cost incurred for making the furniture to date	Tk.15,500
Further estimated cost to complete the job	<u>Tk.12,200</u>
Total cost	<u>Tk.27,700</u>
What will be the net realizable value of WIP?	

5

8. Explain cost of sales. Zabeed had Tk.15,000 of inventory at January 2010. During the year he purchased inventory for Tk.98,000, including carriage inwards of Tk.150. He made sales of Tk.150,000, incurring delivery cost to his customers of Tk.2,400. At December 2010 he realized that he had inventory costing only Tk.2000 left; goods costing Tk.18,000 had been stolen. The insurance had agreed to pay his claim for 75% of the cost.

You are required to prepare Zabeed's income statement.

4+6

9. On the 30th June 2008, X and Y who have been trading in partnership and sharing profits of 2/3rd and 1/3rd, decide to dissolve and trade separately. Their Balance sheet on that date showed as follows:

<u>Liabilities:</u>				<u>Assets:</u>			
Creditors				Cash at Bank			
Reserve a/c				Sundry Debtors			
Current a/c				Less Reserve for Bad debts			
	X	Tk. 1,500		Investments			
	Y	<u>Tk. 1,500</u>		Stock			
Capital a/c				Furniture and Fixture			
	X	<u>Tk.20,000</u>					
	Y	<u>Tk.10,000</u>					

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Marks

- | | |
|--|---|
| 1. (a) What are the objectives of financial statements? | 4 |
| (b) What are the qualitative characteristics of financial information? | 6 |

2. Ms. Farzana started a new business in the name of 'Vanity' with an objective of providing home service relating to beautification and skincare. The following were the transactions during the first year of operation:

01.01.2011: Opened a bank account with Tk. 40,000. Withdrawn bank loan of Tk.5,00,000 and arranged an overdraft limit for the same amount.

01.01.2011: Bought a car for Tk.2,50,000 in cash. Insured the car for Tk. 30,000 and paid the premium in cash. Bought various equipment for Tk.1,50,000 and consumable items for Tk.50,000 on credit.

Total bills during the year amounted to Tk.15,94,500, all on credit.

During the year Farzana purchased additional consumables for Tk.3,69,000 on credit, diesel for car for Tk.65,000 in cash and withdrew Tk.1,25,000 from business as personal drawing. During the year total amount received was Tk.12,93,500 from customers and total payment made was Tk.3,25,000 to suppliers.

Prepare necessary ledger accounts, statement of comprehensive income and statement of cash flow for the first year of business.

20

3. The Unique shop has the following trial balance as at 30 September 2011.

	Tk.	Tk.
Sales		1,56,000
Purchase	65,000	
Non-current assets	2,00,000	
Inventory at 1.10.10	10,000	
Cash at Bank	12,000	
Trade Receivables	54,000	
Trade Payables		40,000
Distribution costs	10,000	
Cash in hand	2,000	
Administrative Expenses	15,000	
Finance Costs	5,000	
Carriage Inward	1,000	
Carriage outward	2,000	
Capital account 1.10.10	<u>3,76,000</u>	<u>1,80,000</u>
		<u>3,76,000</u>

The following additional information are available:

- (a) Closing inventory at 30.9.11 is Tk.13,000, after writing off damaged goods of Tk.2,000.
- (b) Included in administrative expenses is machinery rental of Tk.6,000 covering the year to 31 December 2011.
- (c) A late invoice for Tk.12,000 covering rent for the year ended 30 June 2012 has not been included in the trial balance.

Prepare the statement of comprehensive income and financial position for the year ended 30 September 2011

20

[Please turn over]

4. Following errors were discovered after the preparation of trial balance of Trishna Distributions Ltd:
- a) A purchase of Tk.50,000 from Keru & Co. on the last date of the year was taken into stock but the invoice was not passed through purchase book.
 - b) Sale of goods amounting to Tk.30,000 was included in sales account, out of which goods with sales value of Tk. 12,500 were returned. No record of the return was made in the books but the returned goods were included in the stock at their cost price of Tk. 10,000.
 - c) A Computer with carrying value of Tk.20,000 was sold for Tk.12,500 to supplier of a new sophisticated Computer costing Tk.1,12,500 and the net invoice of Tk.1,00,000 was recorded in the books.
 - d) A payment of Tk.5,40,000 was made towards cost of stamp and registration fees for purchase of a new building. This amount was posted to legal charges A/c as Tk. 45,000
 - e) Sales include Tk.10,000 for goods sold in cash out of goods purchased from Mr. Barek. Mr. Barek is entitled to a commission of 10% on such sales.

Your are required to prepare journal entries to rectify the above mentioned errors.

15

5. (a) Write short notes on following concepts:

4x3=12

- (i) Going concern
- (ii) Accrual basis of accounting
- (iii) Materiality

6. A firm has the following transactions with respect to its product R.

Opening inventory: nil

Buys 15 units at Tk.300 and 17 units at Tk.250 per unit

Sells 13 units Tk.400 per unit

Buys 11 units at Tk.200 per unit

Sells 17 units at Tk.450 per unit

Using FIFO, calculate the following on an item by item basis:

- (i) Closing inventory and (ii) Cost of sales

3x2=6

7. (a) Disney Ltd, has 10,00,000 ordinary shares of Tk.10.00 each and 2,00,000 preference shares of Tk.10.00 each. The company manufactures gas appliances. During the financial year to 31 December 2011 the company had to pay Tk.50,000 compensation from an uninsured claim for personal injuries suffered by a customer while on the company premises.

The profit for year ended December 2011 was Tk.20,00,000. Disney Ltd. declared dividend on preference share @ 4%. Assuming an income tax rate of 45%, ascertain the profit from business and calculate earnings per share.

8

- (b) What are the accounting treatments related with dividend under the following circumstances:

3x3=9

- (i) Payment of final dividend.
- (ii) Declaration of interim dividend.
- (iii) Declaration of final dividend.

ACCOUNTING

Time Allowed – 1 ½ hours

Maximum Marks – 100

[N.B – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the way in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | | Marks |
|----|--|-------|
| 1. | a. Write down the objectives of financial statements. | 6 |
| | b. What are the components of a complete set of financial statements in line with Bangladesh Accounting Standard-1? | 4 |
| 2. | Manik opens a company on April 1, 2012. At April 30, the trial balance shows the following balances for selected accounts. | |

	Tk.
Prepaid Insurance	3,600
Equipment	28,000
Notes Payable	20,000
Unearned Revenue	4,200
Service Revenue	7,400

Analysis reveals the following additional data:

- a. Prepaid insurance paid for 2 years effective from April 1, 2012.
- b. Depreciation on the equipment is Tk. 500 per month.
- c. The note payable is dated April 1, 2012. It is a 6 month, 12% note.
- d. Seven customers paid for the company's 6 months' service of Tk. 600 beginning in April. These customers were serviced in April.
- e. The services provided to other customers but not billed at April 30 totaled Tk.1, 500.

Required:

- i) Prepare the adjusting entries for the month of April. 10
 - ii) Prepare adjusted trial balance of Manik & Company. 10
3. State the Generally Accepted Accounting Principles with argument for recording the following transactions in the books of XYZ company:
- (1) Purchase a computer as on 30-10-2012 at Tk.120,000 with a fair value of Tk.115,000 on that date.
 - (2) Service rendered under annual maintenance contract for Tk.10,000 but no bill has been drawn on.
 - (3) Paid salary of Tk.1,000 for the month of October 2012 on 1.11.2012.
 - (4) Depreciation charged Tk.10,000.
 - (5) Purchased goods Tk.100,000 from ABC Company during October 2012. 5x2=10
4. An analysis of the transactions made by KLCC Ltd., a software manufacturing company for the month of August 2012 is shown below:

	Assets				Liability + Owners Equity		
	Cash	Accounts Receivable	Office supplies	Office equipments	Accounts Payable	Owners equity	Explanations
1	+15,000					+15,000	Investment
2	-2,000			+5,000	+3,000		
3	- 750		+ 750				
4	+2,600	+3,700				+6,300	
5	- 1,500				-1,500		
6	-2,000					-2,000	
7	- 650					- 650	
8	+ 450	- 450					
9	- 3,900					- 3,900	
10					+ 500	- 500	

Required:

- (a) Describe each transaction that occurred for the month.
 - (b) Determine the increase in owner's equity (O.E.) during the month.
 - (c) Compute the amount of net income for the month. 10+5+5=20
5. Prepare necessary journal entries which would correct the following errors:
- (i) A business received an invoice for BDT 50,000 from a supplier which was omitted from the books entirely.
 - (ii) The bookkeeper of the enterprise reduced cash sales by BDT 2,500 because he was not sure what the BDT 2,500 represented. In fact, it was drawings.
 - (iii) BDT 25,530 has been added in the sales day book instead of BDT 25,350.
 - (iv) Maintenance worth BDT 550 was incorrectly debited to the building account instead of repairing and maintenance account.
 - (v) Purchases of Mobile sets for BDT 50,000 are incorrectly booked under the Telephone expenses head. 15

[Please turn over]

6. The bank reconciliation for Moon Ltd. as on 31 October 2012 was as follows:

Moon Limited
Bank Reconciliation
October 31, 2012

Particulars	Taka	Taka
Cash balance as per book		12,444.70
Add: Deposit in transit		<u>1,530.20</u>
		13,974.90
Less: Outstanding cheques:		
Cheque No. 2451	1,260.40	
“ 2470	720.10	
“ 2471	844.50	
“ 2472	503.60	
“ 2474	<u>1,050.00</u>	<u>4,378.60</u>
Adjusted cash balance per bank		<u>9,596.30</u>

The November 2012 bank statement showed the following cheques and deposits:

Cheques			Deposits	
Date	Cheque No.	Amount (Tk.)	Date	Amount (Tk.)
November 01	2470	720.10	November 01	1,530.20
02	2471	844.50	04	1,211.60
03	2474	1,050.00	08	990.10
04	2475	1,640.70	13	2,575.00
08	2476	2,830.00	18	1,472.70
10	2477	600.00	21	2,945.00
15	2479	1,750.00	25	2,567.30
18	2480	1,330.00	28	1,650.00
27	2481	695.40	30	1,186.00
29	2483	575.50		
30	2486	900.00		

The cash records as per books for November 2012 showed the following:

Cash Payments Journal						Cash Receipts Journal	
Date	Cheque No.	Amount (Tk.)	Date	Cheque No.	Amount (Tk.)	Date	Amount (Tk.)
Nov. 01	2475	1,640.70	Nov. 22	2484	829.50	Nov. 03	1,211.60
02	2476	2,830.00	23	2485	974.80	07	990.10
02	2477	600.00	23	2486	900.00	12	2,575.00
04	2478	538.20	24	2487	398.00	17	1,472.70
08	2479	1,570.00	29	2488	1,200.00	20	2,954.00
10	2480	1,330.00		Total	14,694.10	24	2,567.30
15	2481	695.40				27	1,650.00
18	2482	612.00				29	1,186.00
20	2483	575.50				29	<u>1,338.00</u>
						Total receipts	<u>15,944.70</u>

Additional information:

- A credit of Tk.1,505.00 for the collection of Tk.1,400 note receivable for Moon Ltd. plus interest of Tk.120 and less a collection fee of Tk.15. Moon Ltd. has not accrued any interest on the note.
- The bank debited Tk.72 for supplying a cheque book and credited interest on short notice deposit (SND) Account of Tk.1,500.

At November 30, 2012 the cash balance per book was Tk.10,846.90 and the cash balance per the bank statement was Tk.17,069.40.

Required:

- Prepare a cash book for November 2012 to find out adjusted cash balance for reporting on the Moon Ltd. financial statements as on 30 November, 2012.
- Prepare the adjusting entries based on the reconciliation.

15
10

ACCOUNTING

Time allowed – 1½ hours

Total marks – 100

{N.B. – Figures in the margin indicate full marks. Question must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.}

Marks

1. (a) "Prior period errors are corrected retrospectively and changes in accounting estimates are applied prospectively". Explain the usages of accounting estimates and correction of prior period errors in the light of BAS-8. 5
- (b) On 1st June 2012 Mr. Alive started a cosmetic business by investing Tk.26,200 cash in the business. Following are the assets and liabilities at June 30 and the revenue and expenses for the month of June:

Cash	Tk.12,000
Accounts Receivables	4,000
Service Revenue	7,500
Cosmetic Supplies	2,000
Advertising expenses	500
Equipment	25,000
Notes payable	13,000
Accounts payable	1,200
Supplier expenses	1,600
Gas expenses	800
Utilities expenses	300

Mr. Alive made no additional investment in June, but withdrew Tk.1,700 in cash for personal use during the month. Prepare the income statement and owner's equity statement for the month of June and a balance sheet at 30th June 2012. 12

2. Bright & Co., prepared a trial balance for the year ended on 31.12.2012 which contained a suspense account with a credit balance of Tk.1,040. Investigations revealed the following errors:
- (i) A sale of goods on credit for Tk.1,000 had been omitted from the daily sales book.
 - (ii) Delivery and installation costs of Tk.240 on a new item of plant had been recorded as revenue expenditure in the distribution costs account.
 - (iii) Cash discount of Tk.150 had been taken on paying a supplier. Mr. White, the payment was made on 5.1.2013. Mr. White is insisting that Tk.150 is still payable.
 - (iv) Raw materials purchase of Tk.350 had been recorded in the purchase books as Tk.850, but the trade payable account was correctly written up.
 - (v) The purchase day book included a credit note of Tk.230 as an invoice in the total column. The correct entry was made in the purchase account.

Requirements:

- (a) Identify the nature/type of error made and prepare journal entries to correct the above errors. 8
 - (b) Open a suspense account and show the corrections to be made. 5
 - (c) Calculate the revised gross and net profit figures after correction of the errors. Before correction of errors the gross profit of the company was Tk.35,750 and the net profit was Tk.18,500. 5
3. (a) Define capital income, revenue income, deferred expenditure and capital expenditure with examples. 4
- (b) Mr. Karim ends his financial year on 31 March. At 1st April 2012, he had an inventory valued at Tk.8,800. During the year to 31 March 2013, he purchased goods costing Tk.48,000, Fashion goods which cost Tk.2,100 were held in inventory at 31 March 2013 and Mr. Karim believes that these can now only be sold at Tk.400. Goods held in inventory at 31 March 2013 (including the fashion goods) had an original purchase cost Tk.7,600. Sales for the year were Tk.81,400.

Requirement

Calculate Mr. Karim's gross profit for the year ended 31 March 2013. 8

[Please turn over]

4. (a) XYZ company purchased a machinery for Tk.15,50,000 on 1 January 2008. The company revalued the machinery on 31.12.2011 to Tk.20,00,000. The depreciation rate is 10% and straight line method of depreciation is followed. As on 31.12.2012, at year end, the company further revalued the same machinery at Tk.11,00,000. Suggest the accounting treatment of such revaluation of machinery as on 31.12.2012. 5
- (b) On January 1, 2007, Road King Co. purchased a Corolla car costing Tk.28,000. The car has been depreciated using straight line method of depreciation. The useful life of the car is 4 years and salvage value is Tk.4,000. The company's accounting year ends on December 31. Prepare the journal entries to record disposal of the car on the following assumptions: 16
- (i) Retired and scrapped with no salvage value on January 1, 2011
- (ii) Sold for Tk.5,000 on July 1, 2010
- (iii) Traded in on a new Corolla car on January 2010. The fair market value of the old car was Tk.9,000 and Tk.22,000 was paid in cash.
- (iv) Traded in on a new generator on January 2010. The fair market value of the old car was Tk.11,000 and Tk.12,000 was paid in cash.
5. Bank Account balance in the cash book of ABC Ltd., showed credit balance of Tk.6,000 as on 30 June 2012. The bank statement as at 30 June 2012 showed an overdraft of Tk.700. The following were recorded on checking the cash book and the bank statement as on 30 June 2012:
- (a) Cheques drawn Tk.10,000 had been entered in the cash book but had not yet been presented.
- (b) Cheques received Tk.8,000 had been entered in the cash book but had not yet been credited by the bank.
- (c) On instructions from ABC Ltd. the bank had transferred Tk.1,200 interest received on 30 June 2012 to another account of the company, but it only recorded the transfer on 05 July 2012. This amount was credited in the cash book on June 30, 2012.
- (d) Bank charges of Tk.700 shown in the bank statement had not been entered in the cash book.
- (e) The payments side of the cash book had been undercast by Tk.200.
- (f) Tk.4,000 received as dividend had been paid direct into the bank and not entered in the cash book.
- (g) A cheque of Tk.1,000 from Sunil was recorded and banked on 20 June. This was returned unpaid on 30 June and then shown as a debit on the bank statement. No entry has been made in the cash book for the unpaid cheque.
- (h) A cheque issued to Mr. X for Tk.500 was placed when it was more than 6 month's old, and become out of date. The bank has refused to pay it. It was entered again in the cash book, no other entry being made.
- Both cheques mentioned in above were included in the total of unrepresented cheques.

Required:

- (i) Make the appropriate adjustments in the cash book as on 30 June 2012. 32
- (ii) Prepare a statement reconciling the amended balance with that shown in the bank statement.

ACCOUNTING

Time allowed: 1 ½ hours

Total marks: 100

[N.B.- Figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

		Marks
1	a. Write down the main advantages of bank reconciliation statements. b. Cash Book (bank column) of Andrew Chain revealed Tk. 50,700 (Dr balance) as at 30 June 2013. However, bank statement showed Tk. 57,185 (Cr balance) as at 2 July 2013. On scrutiny, following items were identified: (i) Bank charges Tk. 300 and bank interest Tk. 500 shown in the bank statement on 30 June 2013 had not been entered in the cash book. (ii) Jeffery, a debtor deposited Tk. 4,500 to the bank account directly on 2 July 2013. (iii) Cheque amounting to Tk. 2,000 issued to supplier on 25 June 2013 and posted to cash book had been presented to bank on 1 July 2013. (iv) Dividend amounting to Tk. 500 had been paid direct to the bank on 30 June 2013 and not entered in the cash book. (v) Cheque amounting to Tk. 6,500 sent to bank for collection, though entered in the cash book Tk. 5,600 erroneously, had not been credited by the bank. (vi) Refund warrant, Tk.7,000 for share application in primary market was deposited direct to bank on 29 June 2013 and bank charged Tk.115 as commission (including 15% VAT) for processing the refund warrant. These had not been entered in the cash book. Requirements: (a) Rewrite the cash book for June 2013. (b) Prepare a statement reconciling the revised balance in the cash book with the balance as per bank statement as at 30 June 2013. (c) Which bank balance will appear in the Balance Sheet of Andrew Chain as at 30 June 2013 and why?	4 7 5 5
2	a. "Accounting equation is the basis of double entry accounting"- explain. b. Following equation was followed by a business as at 1 June 2013: Assets= Liability + Owners' Equity Tk. 50,000= 35,000 + 15,000 During June 2013, following transactions were completed: (i) Purchased office equipment for Tk. 25,000. Paid Tk. 5,000 in cash and signed a note payable for the remaining Tk. 20,000. (ii) Purchased goods of Tk. 10,000 on credit. (iii) Paid office rent of Tk. 3,000 for two months (June 2013 and July 2013). (iv) Issued cheque amounting to Tk. 7,500 to supplier on 30 May 2013. However, the cheque was dishonoured due to insufficient fund in the bank account and intimation was received on 02 June 2013. Supplier claimed charge of Tk. 500 for delay and business agreed to pay such delay charge. You are required to prepare balance sheet equation as at 30 June 2013 showing the effect of each of the above transactions.	4 10

- 3 a. "Expenses are matched against income in the period to which they relate"- explain the statement with reference to "accrual" and "prepayment". 7
- b. Differentiate between accounting policies and accounting estimates. 5
- c. On 1 July 2010, M/S Albert purchased a Printing Equipment for Tk. 32,000. The Printing Equipment is estimated to have a 5-year useful life with Tk. 2,000 salvage value. Straight-line method has been used to depreciate the assets. M/S Albert incurs Tk. 1,200 every year for ordinary repair and maintenance. On 1 July 2011, M/S Albert incurred Tk. 4,000 for improvement and added to the costs of the printing equipment. On 1 July 2012, M/S Albert decided to extend the useful life of the equipment by another two years because of its excellent condition.
- Requirements:
- (i) Prepare journal entries for depreciation expense for the year ended 30 June 2013 and carrying amount of the equipment as at 30 June 2013. 10
- (ii) What additional information is to be disclosed in the financial statements? 3.

- 4 Simon Smith is an accountant of Creative Playhouse and has a limited knowledge of accounting. Simon prepared the following balance sheet which contains certain errors with respect to Generally Accepted Accounting Principles:

Creative Playhouse Balance Sheet as at 30 June 2013			
Assets	Taka	Liabilities & Owners' Equity	Taka
Cash at bank	20,000	Liabilities:	
Accounts receivable	15,000	Accounts payable	12,400
Office furniture	9,500	Other payables	22,000
Theatre building	35,000	Owners' equity:	
Lighting equipment	42,500	Capital	126,000
Automobile	50,000	Retained earnings	40,100
Office Supplies	3,500		
Other assets	25,000		
Total	200,500	Total	200,500

In discussion with Simon, the following facts are discovered:

- (i) Cash at bank balance, Tk. 20,000 includes Tk. 1,000 in Simon's personal savings account.
- (ii) Simon explained that Office furniture was purchased on 12 September 2013 for Tk. 15,000. The business paid Tk. 9,500 in cash and issued a note payable for the remaining of the purchase price, Tk. 5,500. As the note is not due until January 2014, it was not included in the company's liabilities.
- (iii) Also included in the amount of office furniture, is a computer that cost Tk. 1,500 but was not on hand because it was donated to a local charity.
- (iv) The Accounts payable include business debts of Tk. 11,400 and Tk. 1,000 balance of Simon's personal VISA card.

You are required to prepare corrected balance sheet of Creative Playhouse as at 30 June 2013. 20

5. ABC company had the following trial balance as at 31 December 2012:

Particulars	Debit (Tk.)	Credit (Tk.)
Capital 1.1.2012		9,00,000
Bank loan		12,26,000
Freehold land and Buildings	8,60,000	
Accumulated depreciation on freehold land a buildings		40,000
Plant and machinery at cost	16,60,000	
Accumulated depreciation on plant and machinery		4,44,000
Stock	3,80,000	
Sales		53,90,000
Purchases	43,04,000	
Loan interest	20,000	
Wages and salaries	5,08,000	
Drawings	62,000	
Sundry expenses	2,26,000	
Suspense account		8,40,000
Sundry debtors	9,28,000	
Sundry creditors		3,90,000
Cash	2,82,000	
	<u>92,30,000</u>	<u>92,30,000</u>

The following matters have now been discovered:

- On January 01, 2012, the owners of ABC company injected a further Tk.380,000 into the business. The only entry made was to debit cash.
- On January 01, 2012 an item of plant that had cost Tk.7,00,000 and on which depreciation of Tk.148,000 had been charged was disposed off for Tk.460,000. The only entry made was to debit cash.
- Depreciation of Tk.72,000 needs to be charged on the remaining plant and machinery and Tk.10,000 on the land and buildings.
- Loan interest of Tk.20,000 should be accrued at 31 December 2012.
- Stock on hand at 31 December 2012 cost Tk.330,000.

Required:

- Prepare a comprehensive income statement for the year ended 31 December 2012; and
- Balance Sheet as on 31 December 2012.

12
8

ACCOUNTING

Time allowed: 1½ hours

Total marks: 100

[N.B.-Figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

			Marks
1.	a.	Differentiate between capital expenditure and revenue expenditure.	4
	b.	Following were extracted from the books of XYZ Company for the year ended 31 December 2013: (i) Advertising supplies costing Tk. 550,000 were purchased on 01 January 2013. An inventory count as at 31 December 2013 revealed that Tk. 50,000 of advertising supplies is still in hand. (ii) Insurance premium costing Tk. 12,000 was paid on 01 October 2013 under one-year fire insurance policy beginning from the same date. (iii) Factory machinery was purchased at a cost price of Tk. 100,000 on 1 January 2013. Other related expenditures are for sales taxes Tk.8,000, insurance during shipping Tk.3,000, installation & testing Tk.1,000 and three-years accident insurance policy Tk.6,000. The machinery has been in operation from January 2013 and has an estimated useful life of four (04) years with no salvage value. Straight line method is used to calculate depreciation. Requirements: You are required to classify the above into revenue items and capital items.	12
2.		On January 1, 2013, Rupali Limited purchased a Limousine at an acquisition cost of Tk 28,000,000. The vehicle has been depreciated by the straight line method using a 4 year service life and a Tk 4,000,000 salvage value. The company's fiscal year ends on December 31. Requirements: Prepare the journal entry or entries to record the disposal of the limousine assuming that it was: a) Retired and scrapped with no salvage value on January 1, 2017 b) Sold for TK 5,000,000 on July 1, 2016 c) Traded in with a new limousine on January 1, 2016. The fair market value of the old vehicle was Tk.9,000,000 and Tk.22,000,000 was paid in cash.	6
3.		M/s Samrat & Co. had an inventory of Tk.75,000 at 1 January 2013. Goods costing Tk.45,000 were purchased, incurring carriage inwards of Tk.1,500 during the year. Goods costing Tk.100,000 were sold at a mark up of 40%, incurring delivery costs of Tk.2,500 to the customers. Goods costing Tk.15,000 have been stolen and the insurance company has agreed to pay 75% of the cost. Goods costing Tk.2,000 were withdrawn for personal use and Tk.4,500 were held in inventory at 31 December 2013 with estimated net realizable value of Tk.3,500. Requirements: a. Calculate gross profit for the year ended 31 December 2013. b. Identify the underlying accounting assumptions behind the accounting treatment of inventories.	10 4

[Please turn over]

inventories.

2

4 a. "A balanced trial balance does not always prove that the company has recorded all transactions or that the ledger is correct" – Mention three types of errors in support of this statement.

6

b. The following trial balance was prepared from the ledger accounts of Syed Hafiz Co:

Syed Hafiz Co. Trial Balance at 31 December 2013		
Account Title	Debit (Taka)	Credit (Taka)
Cash in hand	3,700	
Accounts receivable	7,500	
Office supplies	2,200	
Office equipment	5,000	
Accounts payable		4,500
Unearned revenue		1,100
Capital		8,500
Drawing	2,000	
Service revenue		10,300
Salaries	3,200	
Office expenses	800	
Total	24,400	24,400

On the review of the records, following errors were identified:

- (i) Cash received from a customer in payment of its account was debited for Tk. 2,100 with corresponding credit to accounts receivable. However, the actual collection was for Tk.1,200.
- (ii) The purchase of a computer on credit for Tk.1,500 was recorded as a debit to office supplies for Tk.1,500 with a corresponding credit to accounts payable.
- (iii) Services were performed for a client on credit for Tk.6,100. Accounts receivable was debited for Tk.6,100 and service revenue was credited for Tk.1,600.
- (iv) A credit posting to service revenue of Tk.300 was omitted.
- (v) Cash withdrawal of Tk.500 for Hafiz's personal use was debited to salaries expenses with corresponding credit to cash.

You are required to prepare a correct trial balance.

15

5. a. "Adjusting entries are often required because of 'timing difference' between cash flows and recognition of expenses or revenue" – Explain the statement with two examples.

6

b. Following are the trial balance and adjusted trial balance of Hasan Ali as at 31 December 2013:

Figure in Tk

Account Titles	Trial Balance		Adjusted Trial Balance	
	Debit	Credit	Debit	Credit
Cash in hand & at bank	22,500		22,500	
Prepaid rent	3,500		1,500	
Office supplies	1,200		700	
Office equipment	24,000		24,000	
Accumulated dep.-Office equipment		4,800		7,200
Accounts payable		5,000		5,000
Unearned legal fees		6,500		3,500
Capital		24,400		24,400
Withdrawals	1,450		1,450	
Legal fees earned		17,500		21,800
Office salaries	500		700	

Telephone expenses	300		300	
Lighting expenses	250		400	
Accounts receivable	4,500		5,300	
	58,200	58,200		
Rent expense			2,000	
Office supplies expense			500	
Salaries payable				200
Bad debt expense			500	
Depreciation exp-Office equip.			2,400	
Lighting expense payable				150
			62,250	62,250

Requirements:

- | | |
|---|----|
| (i) Prepare adjustment entries which were necessary to prepare above adjusted trial balance. | 12 |
| (ii) Prepare income statement and owner's equity statement for the year ended 31 December 2013. | 13 |
6. At 31 December 2012 the following require inclusion in Safwan Ltd financial statements:
- (a) On 1 January 2012 the company made a loan of Tk.12,000 to an employee, repayable on 1 January 2013, charging interest at 2% per year. On the due date she repaid the loan and paid the whole of the interest due on the loan to that date.
 - (b) The company paid an annual insurance premium of Tk.9,000 in 2012, covering the year ending 31 August 2013.
 - (c) In January 2013 the company received rent from a tenant of Tk.4,000 covering the six months to 31 December 2012.

Requirement:

For these items, what total figures should be included in the company's statement of financial position as at 31 December 2013?

12

- The End -

ACCOUNTING
Time allowed -2 hours
Total marks - 100

[N.B. –The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks
6

1. a. Define the following with example:
 - (i) Accrual Basis of accounting.
 - (ii) Revenue recognition principle.
 - (iii) Matching principle.
- b. The Accountant of Zunaid Company, a consulting firm, prepared Trial Balance at 31 December 2013 showing total debit balance Tk. 250,000 and total credit balance Tk. 237,500 and placed the difference, Tk.12,500 in suspense account. On the basis of draft Trial Balance, the Accountant prepared the Income Statement for year ended 31 December 2013 as follows:

Account Title	Taka	Taka
Revenue:		
From service		75,000
Operating expenses:		
Salaries	22,200	
Supplies	16,500	
Depreciation	5,250	
Bad debt	8,200	
Total expenses		(52,150)
Net income		22,850

The following additional information were available subsequently:

- (i) Services provided to customers on credit for Tk. 19,000 was posted to servicerevenue for Tk.9,000.
- (ii) Supplies expense, Tk.500 was paid to supplier in excess erroneously. Supplier refunded the excesspayment and posted to bank account only.
- (iii) Accounts receivable, Tk. 6,200 was considered uncollectable and written off. However, bad debt charge was debited for Tk.8,200 and accounts receivable was credited for Tk.6,200.
- (iv) Computer costing Tk. 5,000 was purchased on 01 July 2013 for Zunaid's personal use and was posted to office equipment. Depreciation @ 10% is charged on office equipment.
- (v) Bank statement showed that Tk.3,500 was deposited by customer on 20 December 2013 in settlement of account receivable written-off in earlier years. No entry was passed in the books of accounts.

Requirements:

- (i) Prepare correction entries to give effect of the above in the books of accounts.
- (ii) Prepare correct income statement for the year ended 31 December 2013.

5
10

2. a. At 01 January 2013, ABC company reported the following information on its financial position.

Account Title	Taka
Accounts receivable	895,000
Less: Allowances for doubtful accounts	(45,000)
	850,000

During 2013, the company had the following transactions related to receivables:

- (i) Sales on credit: Tk. 2,500,000.
- (ii) Collections of accounts receivable in cash: Tk. 400,000.
- (iii) Write-off of (a) accounts receivable deemed uncollectable for which no allowance for doubtful account was provided for: Tk. 20,000 and (b) accounts receivable deemed uncollectable for which allowance for doubtful account was provided for: Tk. 5,000.
- (iv) Recovery from accounts receivable written-off in previous years: Tk. 4,000.

An analysis of accounts receivable indicates that estimated allowances for doubtful accounts to be maintained at 1% of sales on credit.

Requirement:

You are required to show the presentation of accounts receivable in financial position at 31 December 2013

12

- b. The total of the list of balance in Valley's payables ledger was Tk.438,900 at 30 June 2014. This balance did not agree to Valley's payables ledger control account balance. The following errors were discovered:
 - (i) A contra entry of Tk.980 was recorded in the payables ledger control account, but not in the payables ledger.
 - (ii) The total of the purchase returns daybook was undercast by Tk.1,000.
 - (iii) An invoice for Tk.4,344 was posted to the supplier's account as Tk.4,434.

Requirement:

What amount should Valley report in its statement of financial position for accounts payable at 30 June 2014?

8

3. a. Write down the components of financial statements as set out in BAS-1.

6

b. Following is the Balance Sheet of Sohan& Co.as on 01 January 2013:

Account Title	Taka	Taka
Non- current assets:		
Motor Vehicle	250,000	
Office equipment	215,000	465,000
Current assets:		
Inventories	75,000	
Cash at bank	20,500	
Accounts receivable	70,000	165,500
Total assets		630,500
Capital		290,500
Current liabilities		
Bank overdraft	182,000	
Trade payables	155,000	
Salaries payable	3,000	340,000
Total liabilities		630,500

During the year ended 31 December 2013, business had made the following transactions:

- (i) Goods were purchased on credit at a list price of Tk. 30,000. A 10% trade discount was negotiated together with 5% cash discount if payment was made within 14 days. Company made the payment within credit period.
- (ii) Goods costing Tk. 2,000 were withdrawn for personal use and goods costing Tk.21,000 were held in inventory at 31 December 2013 with an estimated net realizable value of Tk. 19,000.
- (iii) All sales were on credit and amounted to Tk. 220,000.
- (iv) Cash payments were made in respect of the following:
 - a. Salaries: Tk. 47,000
 - b. Electricity: 11,000
 - c. Office rent: Tk. 22,000
- (v) At 31 December 2013, following expenses were outstanding:
 - a. Salaries: Tk. 4,000
 - b. Electricity: Tk. 1,000
 - c. Office rent: Tk. 2,000
- (vi) Outstanding overdraft balance at 31 December 2013 was paid-off. Interest charges and bank charges amounted to Tk. 800. Depreciation @ 5% is charged on fixed assets.

You are required to prepare:

- (i) Income statement for the year ended 31 December 2013. 10
- (ii) Changes in owners' equity statement for the year ended 31 December 2013. 6

4. Goodnight Company has the following inventory, purchases and sales data for the month of March.

Inventory: March 1	200 units @Tk.4.00	Tk.800
Purchases:		
March 10	500 units @Tk.4.50	2,250
March 20	400 units @Tk.4.75	1,900
March 30	300 units @Tk.5.00	1,500
Sales:		
March 15	500 units	
March 25	400 units	

The physical inventory count on March 31 shows 500 units on hand.

Requirement:

Under a periodic inventory system, determine the cost of inventory on hand at March 31 and the cost of goods sold for March under the (a) FIFO, (b) LIFO and (c) average cost method.

15

5.

a.

Sandip Ltd. has a machine with an original cost of Tk.240,000, an estimated useful life of 12 years and an estimated residual value of Tk.nil. Company charges depreciation on straight line method. In the fifth year, as a result of changes in market conditions the company decided that the remaining useful life will be only four years. Based on circumstances, answer the following questions:
(i) Calculate depreciation on machine for sixth year.
(ii) Do you think depreciation for earlier years needs to be restated?
(iii) Show logic in favour of your answer.
- b.

On 31 December 2013, Sami's cash book showed an overdraft of Tk. 4,500 on his current account. A bank statement at 31 December 2013 showed that Sami was in credit with the bank by Tk. 4,000.

On checking the cash book with the bank statement, the following are detected:
(i) Cheque drawn amounting to Tk. 1,000, entered in the cash book but not yet presented.
(ii) The bank had transferred interest received on savings account of Tk.1,500 to current account, recording the transfer on 20 January 2014. This amount had been entered in cash book on 30 December 2013.
(iii) The payments side of cash book had been undercast by Tk.1,000.
(iv) A cheque for Tk. 5,000 drawn on savings account had been shown in the cash book as drawn on current account.
(v) A cheque issued to Namira for Tk. 2,500 was replaced being out of date. It was credited again in the cash book. Both cheques were included as the un-presented cheque.

Requirements:
(i) Rewrite the cash book for December 2013.
(ii) Prepare a statement reconciling the revised balance in the cash book with the balance as per bank statement as at 31 December 2013.

6

8

8

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. - The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence]

Marks

1. (a) What is the objective of financial statements? How does an organization achieve it? 4
(b) Define ‘Materiality’ as per BAS 1. 2
(c) What is meant by substance over form? 2
(d) What is accrual basis of accounting? 2
(e) Prepare journal entries for the following transactions: 10
i) Red Ltd. lost inventories that cost TK. 100,000 in a fire. The goods were insured for 75% of the cost.
ii) A business has been told by its lawyers that it is likely to have to pay TK. 10,000 damages for a product that failed. The business duly set up a provision as at December 31 2013. However, the following year, the lawyers found that the damage were more likely to be TK. 50,000.
iii) Fashion Ltd. estimates that TK. 100,000 is payable as tax on the profits earned in the year ended December 31, 2014. TK. 70,000 has already been paid as advance tax.
iv) Green Ltd. has 10,000 ordinary shares of Tk. 5 each. Now board decides to make a 1 for 5 bonus issue. This will be followed by a 1 for 2 right issue at TK. 8 each.

2. (a) Discuss the techniques for the measurement of cost of inventories with an example. 5
(b) On 1 December 2014, P & G Ltd held 300 units of finished goods in inventory. These cost TK 3,600. But soon after 12 units are damaged from these goods due to evaporation which is normally expected. During December 2014 three batches of finished goods were received into Store from the Production Department, as follows:

Date	Units received	Production cost per unit
10 December	400	Tk 12.50
20 December	400	Tk 14
25 December	300	Tk 15
As on 30 December 10 units are damaged due to handling which is normally expected but 50 units are stolen by an employee.		

Finished goods sold during December were as follows:

Date	Units sold	Selling price per unit
14 December	500	Tk 20
21 December	500	Tk 20
28 December	100	Tk 20

Determine the value of closing inventory and identify the profit from the selling inventory in December 2014 applying the principle of FIFO. Between FIFO and AVCO formula, advise the management which method should be followed if they are highly tax conscious.

10

3. (a) In a set of financial statements prepared in accordance with BAS 16, is it correct to say that the carrying amount figure in a statement of financial position cannot be greater than the market value (net realizable) of an asset as at the reporting date? Explain your reasons for your answer. 4
(b) Good Company Ltd. commenced business in January 1, 2009, it purchased land & building at a cost of TK. 100,000.

For the purpose of accounting for depreciation, following were agreed:

- Land was worth TK. 60,000 which would not be depreciated
- Building was worth TK. 60,000 which would be depreciated at straight line method to nil residual value over 30 years.

After five years of business, January 1 2014 an independent valuation was done and now business premises worth TK. 300,000 (Land: TK. 150,000 & Building: TK. 150,000) with 25 years of building’s remaining useful life.

Required:

- (i) Calculate the annual charge for depreciation for first five years of the building’s life and the statement of financial position carrying value of business premises as at the end of each of first five years. 10
(ii) What would be the impact of revaluation on financial statements. 3
(iii) What would be the excess depreciation and its accounting i.e. journal entries and reporting. 3
4. Well Ltd. has the following trial balance at December 31, 2014

	Debit TK.	Credit TK.
Cash at bank	100	
Inventory at January 1, 2014	2,400	
Administrative expenses	2,206	
Distribution cost	650	
Non-current assets at cost:		
Buildings	10,000	
Plant and Equipment	1,400	

Motor Vehicles	320	
Retained earnings		560
Suspense account		1500
Accumulated deprecation:		
Buildings		4,000
Plant and Equipment		480
Motor Vehicles		120
Accounts receivables	876	
Purchases	4,200	
Dividend paid	200	
Sales revenue		11,752
VAT payable		1,390
Accounts payables		1,050
Share premium		500
Share capital TK. 1 each		1,000
	<u>22,352</u>	<u>22,352</u>

The following additional information are relevant:

- Inventory as at December 31, 2014 was valued at TK. 1,600. While doing the inventory count, errors in the previous year's inventory count were discovered. The inventory brought forward at beginning of the year should have been TK. 2,200.
- Deprecation to be provided as follows:
 - Building at 5% straight line, charged to administrative expenses
 - Plant and equipment at 20% on the reducing balance basis, charged to cost of goods sold
 - Motor vehicles at 25% on reducing balance basis, charged to distribution cost.
- No final dividend is being proposed.
- A customer has gone bankrupt owing TK. 76. This debt is not expected to be recovered and an adjustment should be made. An allowance for receivables of 5% is to be set up.
- One thousand new ordinary shares were issued at TK. 1.50 on December 1, 2014. The proceeds have been kept in a suspense account.

Required to prepare the following:

- Profit and loss account for the year ended December 31, 2014
- Statement of changes in equity for the year ended December 31, 2014
- Statement of financial position as at December 31, 2014

All statements are to be prepared in accordance with BAS. Ignore taxation. 12

- On January 1, 2014, XYZ Company Ltd. acquired production equipment on credit by the amount of Tk 250,000. The following further costs were incurred in cash:

Delivery	Tk. 36,000
Installation	40,000
General administrative cost on an indirect nature	6,000
Consultants fees for advice on the installation of the equipment	5,000
Interest charges paid to supplier of equipment for deferred credit	12,000
Operating losses before commercial production	7,000

The installation and setting up period was 3 months and a further amount of Tk 42,000 was spent on cost directly related to bringing the asset to its working condition. The equipment was ready for use on 1 April 2014. But actually used from 1 May 2014 in commercial production.

The equipment has an estimated useful life of 14 years and a residual value of Tk 36,000. Estimated dismantling costs amount of Tk. 25,000 which will be paid at the time of dismantling.

Give the journal entry for recording the asset in 2014 and show the presentation in statement of financial position as on 31 December 2014 and in statement of comprehensive income for the year. 10

- Following are the information of Alex Gullible for the year to 31 December 2014:

	<u>Tk.</u>
Receivable, 1 January 2014	7,000
Collection from receivable	118,000
Receivable 31 December 2014	9,000
Cost of sales	70,000
Discounts allowed	1,000
Discounts received	6,000
Irrecoverable debts expenses	8,000
Debts paid in 2014 which were previously written off as irrecoverable in 2013	1500
Other expenses	29,500

From the above information you are required to prepare Income Statement of Alex Gullible. 7

-The End-

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence]

- | | | Marks |
|---|---|-------|
| 1 | (a) Users use accounting information as a helping tool to make economic decisions. Briefly discuss the qualitative characteristics that accounting information should possess to be useful to the reasonable users. | 4 |
| | (b) When departure from the BAS is allowed? What are the disclosure requirements for such an event? | 3 |
| | (c) Define ‘Going Concern’ assumption. If there is significant doubt about the entity’s going concern, how would you report the assets? | 3 |
| | (d) What are the reasons for which the control account may not agree with the sum of the individual customers’ or suppliers’ balances? | 3 |
| 2 | (a) The following transactions were extracted from the daily book of entries of M/s. Rahim & Co. | |

- (i) Mr. Rahim started business with Tk. 100,000 cash and provided inventory valued at Tk. 10,000.
- (ii) Mr. Rahim took a 10%, 5 years loan of Tk. 50,000 from bank for business.
- (iii) Mr. Rahim purchased office furniture for Tk. 12,000. The useful life of the furniture is five years.
- (iv) Goods costing Tk. 20,000 (including VAT @15%) is purchased for resale during the month.
- (v) Total sales (including VAT @15%) amounted to Tk. 50,000 for the month. Out of the invoiced amount, 60% is received in cash.
- (vi) Salary of Tk. 5,000 is paid to the staff from the personal bank account of Mr. Rahim.
- (vii) VAT is deposited to the govt. treasury.
- (viii) Utility bills for the month Tk 10,000 is received.

Required: Prepare journal entries to record the above transactions.

7

- (b) Luna runs a bookshop. The trial balance items related to accounts receivable and sales as at 31 December 2014 are:
- Net credit sales Tk. 45,000,
 - Accounts Receivable Tk. 13,000
 - Bad debt expense Tk. 700 and
 - Allowance for doubtful debt Tk. 900.

She needs to take account of the following matters for adjustment:

- (i) As at 31.12.2014 accounts receivable Tk. 695 from a customer to be written off for which no provision was made earlier. Luna is also concerned that Tk. 250 may be difficult to recover from the same customer.
- (ii) During the year 2014, Tk. 200 was banked in respect of a receivable which had been written off in the year ended 31 December 2013. The only entry in this respect was made in the cash at bank account.
- (iii) The accounting policy is to maintain allowance for doubtful debt @ 3% of net credit sales.

Required: Prepare the adjusting journal entries to record the above adjustments.

5

- (c) Khan Ceramics sells ceramic products including dinner set and others. It sent out a sales invoice to a customer for 10 dinner sets, but the employee creating the invoice accidentally typed in a total of Tk. 50,000 instead of Tk. 5,000. The customer has been overcharged by Tk. 45,000.

Required: What is Khan Ceramics to do in the above circumstance? Explain.

5

- 3 (a) Kiron Ltd. had the following record of transactions for the year 2014:

Beginning inventories: 15,000 units for Tk. 30,000. Purchases and sales details were as follows:

Purchase details				Sales details		
Date	Units	Unit cost (Tk)	Total cost (Tk)	Date	Units Sold	Price (Tk) per unit
01/01/14	60,000	2.4	144,000	15/01/14	60,000	3.0
02/02/14	50,000	2.5	125,000	17/05/14	50,000	3.2
30/06/14	50,000	2.6	130,000	30/10/14	60,000	3.1
24/12/14	70,000	2.8	196,000			
Total	230,000		595,000		170,000	

Required:

- 10
- 5
- (i) Calculate ‘cost of goods sold’ and value of ‘closing inventory’ under FIFO and average cost (AVCO) method. Which method is more justified in the context of pharmaceuticals Industry?

(ii) Calculate the gross profit of the Kiron Ltd.
- (b) At the end of 30 June 2015, Gouri’s cash book showed that she had an overdraft of Tk. 300 on her current account at the bank. A bank statement as at 30 June 2015 showed that she has an overdraft of Tk. 150. On checking the cash book and bank statement you found the following:
- (i) Cheques issued to a supplier amounting to Tk. 485, had been entered in the cash book, but not yet been presented by the supplier.

(ii) Cheques received and deposited amounting to Tk. 400 had been entered in the cash book, but had not yet been credited by the bank.

(iii) Bank charges Tk. 35 debited by the bank but it was not credited in the cash book.

(iv) A customer has deposited Tk. 200 directly into the bank which has not been recorded in the cash book.

(v) A cheque for Tk. 50 from Banani was recorded and banked on 24 June. This was returned unpaid on 30 June. No entry has been made in the cash book.

(vi) An insurance premium paid of Tk. 50 is transferred by the bank as per previous instruction, but was recorded by the bank on 5 July 2014. This amount was duly credited in the cash book.

(vii) A cheque Tk 20,000 has been deposited in the bank on 26 June 2015 but necessary entry was not made in the General ledger. However, the said cheque was not honored due to invisible issuer signature.

Required:

- 5
- 5
- 5
- (i) Prepare a statement of corrected cash book as on 31 December 2014

(ii) Prepare a bank reconciliation statement as per corrected cash book’s customer wise.

(iii) Prepare adjusted net profit for the year ended on 31 December 2014. Assume that, the company assessed Gross profit Tk. 100,000 before adjusting the above entries.
- 4 (a) A business purchased two machines on 1 January 2010 at a cost of Tk. 25,000 each. Each had an estimated life of 6 years and a zero residual value. The straight line method of depreciation is used. Owing to an unforeseen slump in market demand, the business decided to reduce its output, and switch to making other products instead.

On 31 March 2012, one machine was sold (on credit) for Tk. 15,000. Later in the year, however, it was decided to abandon production altogether, and the second machine was sold on 1 December 2012 for Tk. 6,500 (cash).

Required:

- Prepare the Machinery account and disposal account.
- 5
- (b) At the year end 30 June 2015, the Trial Balance of M/s. Zaman & Co. contained a credit balance in suspense account of Tk. 1,040. Other trial balance items related to revenue and expenses are as follows.

Account Name	Taka
Purchase	19,500
Discount received	150
Unearned service revenue	5,600
Sales revenue	33,000
Selling expense	1,500
Depreciation expense – Plant	750
Interest expense	500
Distribution expense	6,750
Administrative expense	14,000
Office rent expense	2,040
Bad debt expense	1,000
Closing inventory	2,000

The following facts revealed afterwards:

- (a) A sale of goods on credit for Tk. 1,000 had been omitted from the sales account.

(b) A payment to supplier of Tk. 240 has been recorded as revenue expenditure in the distribution expenses.

(c) Cash discount of Tk. 150 had been taken into account on paying a supplier, BMW, even though the payment was made outside the time limit. BMW is insisting that Tk. 150 is still payable.

(d) A raw material purchase of Tk. 350 had been recorded in the purchase account as Tk. 850, but the accounts payable account was correctly written-up.

(e) The purchases day book included a credit note for Tk. 230 as an invoice in the total column. The correct entry was made in the purchases account.

Required to:

- (i) Correct the above facts through proper journal entries, and

(ii) Prepare Income statement year end 30 June 2015.
- 87

5 The Trial balance for Chowdhury Ltd. as of June 30, 2015 follows:

Chowdhury Ltd.		
Trial Balance		
As at 30 June 2015		
Accounts title	Tk.	Tk.
Cash	160,000	
Inventory (1 July 2014)	3,900,000	
Trade receivables	3,640,000	
Land	4,240,000	
Machinery and office equipment	4,000,000	
Prepaid Insurance (1 July 2014)	600,000	
Trade payables		3,732,000
Borrowings from Bank		2,000,000
Accumulated depreciation- Machinery		1,800,000
Allowance for irrecoverable debts		200,000
Ordinary shares (Tk. 10 par value)		2,000,000
Retained earnings		2,200,000
Sales		19,000,000
Interest expense	60,000	
Selling and distribution expense	1,432,000	
General and administrative expenses	2,050,000	
Salaries (Factory)	600,000	
Purchases	10,150,000	
Purchase return		100,000
Transportation in	200,000	
	31,032,000	31,032,000

Additional information to be taken into consideration:

- (i) Annual depreciation on the machinery and office equipment is Tk. 800,000 (70% relates to factory, 20% relates to distribution and 10% relates to administrative)

(ii) The cost of expired insurance is Tk. 400,000

(iii) Interest expense amounting Tk. 60,000 is to be accrued at the year end.

(iv) Value of inventory after physical verification stood at Tk. 4,040,000

(v) Allowance for doubtful debt should be increased by Tk. 200,000

(vi) Income Tax for the year is estimated at Tk. 1,500,000

(vii) Provision for electricity bill for the month of June was not provided in the accounts. Electricity bill for the month of May was Tk. 10,000 (75% relates to factory and 25% relates to administrative)

Required:

- (i) Prepare Statement of profit or loss and other comprehensive income for the year ended 30 June 2015 as per guideline of BAS 1.

(ii) Prepare Statement of Financial position as on 30 June 2015 as per guideline of BAS 1.
- 1010

ACCOUNTING
Time allowed – 2 hours
Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. (a) What is the difference between “financial statements” and “financial reporting”? 2
(b) “Transactions are accounted for in accordance with their substance and economic reality and not merely their legal form”--- Explain with at least two examples. 3
(c) Describe at least four types of accounting errors that cannot be detected by the trial balance. 4
(d) XYZ Pvt. Ltd. is a manufacturer of televisions. The domestic market for electronic goods is currently not doing well, and therefore many entities in this business are switching to exports. As per the audited financial statements for the year ended 31 December 2015, the entity had net losses of Tk. 2 million. At 31 December 2015, its current assets aggregate to Tk. 20 million and the current liabilities aggregate to Tk. 25 million. Due to expected favorable changes in the government policies for the electronics industry, the entity is projecting profits in the coming years. Furthermore, the shareholders of the entity have arranged alternative additional sources of finance for its expansion plans and to support its working needs in the next 12 months. Should XYZ Pvt. Ltd. prepare its financial statements under the going concern assumption? Why? 5
2. (a) On 1 January 2016, Mr. Hussein commenced trading of ice cream using a van. During the first month of his business, he made the following transactions. Prepare the journal entries for the following information. Assume that Mr. Hussein follows perpetual system for recording inventory. 7

- (i) Mr. Hussein started business with Tk.20,000 cash and borrowed Tk.24,000 from local branch of Sonali Bank Ltd with an interest @10% per annum payable quarterly.
(ii) He hired an assistant for Tk.1,000 per month and paid Tk.800 during January 2016.
(iii) He purchased ice cream from a local manufacturer, M/S Nahiyen & Co. The purchase price was Tk.26,000. He still owed Tk.7,000 to M/S Nahiyen & Co. for unpaid purchases on credit.
(iv) His main business was to sell ice cream to retail customers, but he also did special catering for corporate customers, supplying ice creams for office parties. Sales to these customers were usually on credit. For the months ended to 31 January 2016, his total sales were: cash sales Tk.25,000 and credit sales Tk.15,000. No inventory remained unsold.
(v) One of his credit sale customers had gone bankrupt (insolvent), owing Mr. Hussein Tk.2,500. Hussein has decided to write off the debt in full, with no prospect of getting any of the money owed.

- (b) On 31 December 2014, Kasper & Co. has a Building with book value of Tk.940,000. The original cost and related accumulated depreciation at this date are stated below.

Building	Tk. 1,300,000
Accumulated depreciation	<u>360,000</u>
	<u>Tk. 940,000</u>

Depreciation is computed at Tk. 60,000 per year on a straight-line basis. Presented below is a set of independent situations:

- (i) On 1 April 2015, Kasper & Co. sold the building for Tk. 1,040,000 to ABC & Co.
(ii) On 31 July 2015, the company donated the building to Aga Khan Foundation. The fair market value of the building at the time of donation was estimated to be Tk. 1,100,000.
(iii) A fire completely destroys the building on 31 August 2015. An insurance settlement of Tk. 430,000 was received for this casualty. Assume the settlement was received immediately.

Requirements:

For each independent situations mentioned above, prepare the journal entry to record the transactions. Make sure that depreciation entries are made to update the book value of the building prior to its disposal.

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3. (a) Mr. Wasi has received his bank statement for the month of December 2015. The bank statement dated 31 December 2015 showed a credit balance of Tk.14,130 whereas his cash book showed a debit balance of Tk.47,330. On scrutiny the cash book and bank statement, the following discrepancies were noted:
- 1) Bank charges of Tk. 60 had not been entered in the cash book.
 - 2) Cheques drawn by Wasi and totaling to Tk. 450 had not yet been presented to the bank.
 - 3) Wasi had not entered receipts of Tk. 530 in his cash book.
 - 4) The bank had not credited Wasi with receipts of Tk. 1,970 deposited into the bank on 31 December 2015.
 - 5) Standing order payments amounting to Tk. 1,240 had not been entered in the cash book.
 - 6) Wasi had entered a payment of Tk. 560 in his cash book as Tk. 650.
 - 7) A cheque received for Tk. 300 from a debtor had been returned by the bank marked “refer to drawer”, but this had not been written back in the cash book.
 - 8) Wasi had brought down his opening cash book balance of Tk. 6,585 as a debit balance instead of as a credit balance.
 - 9) An old cheque payment amounting to Tk. 880 had been written back in the cash book, but the bank had already honored it.
 - 10) Some of Wasi’s customers had paid to settle their debts by direct debit. Unfortunately, the bank had credited some direct debits amounting to Tk. 16,650 to another customer’s account.

Requirements:

- (i) Prepare a statement showing Wasi’s adjusted cash book balance as at 31 December 2015. 7
(ii) Prepare a bank reconciliation statement as at 31 December 2015. 7

- (b) RACO Ltd. record of transactions for the month of April was as follows.

Purchases			Sales		
Date	Units	Unit cost	Date	Units	Unit Price
April 1 (Balance on hand)	600	@ Tk 6.00	April 3	500	@ Tk 10.00
April 4	1,500	@ 6.08	April 9	1,400	@ 10.00
April 8	800	@ 6.40	April 11	600	@ 11.00
April 13	1,200	@ 6.50	April 23	1,200	@ 11.00
April 21	700	@ 6.60	April 27	900	@ 12.00
April 29	500	@ 6.79			
	<u>5,300</u>			<u>4,600</u>	

Requirements:

- Assuming that perpetual inventory records are kept in units only, compute the inventory at April 30 using average cost. 4
- Assuming that perpetual inventory records are kept in taka only, compute the inventory at April 30 using FIFO. 3
- Compute cost of goods sold assuming periodic inventory procedures and inventory priced at FIFO. 3
- In an inflationary period, which inventory method – FIFO, AVCO - will show the highest net income? 2

4. (a) H.M. Shaad Yasin started his business in the name of Shaad Graphics Company Ltd. on 1 January 2015. At the end of the first 6 months of operations, the trial balance contained the following accounts balance:

Cash	9,500	Notes payable	20,000
Accounts receivable	14,000	Accounts payable	9,000
Equipment	45,000	Capital	22,000
Insurance expense	1,800	Graphic revenue	42,100
Salaries expense	30,000	Consulting revenue	16,000
Office Supplies	3,700	Rent & utility expense	3,200
		Advertising expense	1,900

Analysis reveals the following additional data:

- The office supplies purchased in January 2015. Supplies Tk. 1,300 as on 30 June 2015 is unused.
- The insurance premium has been paid on yearly basis. The policy was purchased on 1 March 2015.
- 9%, 6-month note payable was issued on 1 February 2015.
- Consulting fees Tk. 12,000 is credited to revenue on cash basis which will be completed in phases in next two years.
- The company has performed Tk. 12,000 of Graphic services that have not been billed as at 30 June 2015.
- Depreciation on equipment is Tk. 4,500 per year.

Requirements:

- Journalize the adjusting entries at 30 June 2015. (Assume adjustments are recorded every 6 months.) 6
- Prepare an adjusted trial balance. 7

- (b) XYZ Trading started operations on 1 July 2013 and in the twelve months to 30 June 2014 made credit sales of Tk. 300,000 and write off irrecoverable debts Tk. 6,000. The company received cash from customers during the year Tk. 244,000. The company estimated allowances for receivables Tk. 5,000 for the year ended June 2014. The company made credit sales of Tk. 200,000 in the following year ended 30 June 2015. The company decided to make provision @5% for allowances for receivables.

Requirements:

Show the calculation of allowances for receivables to be made in the year ended June 30, 2015. 6

5. The ledger balances listed below were extracted from the books of Friends International Ltd, a manufacturing company, as at 31 December 2015:

<u>Ledger balances (debit items)</u>	<u>Taka</u>	<u>Ledger balances (credit items)</u>	<u>Taka</u>
Inventories at 1 January 2015	106,000	General reserve	21,000
Purchase	2,281,000	Share capital of Tk. 10 each	382,000
Office supplies	20,000	Bank loan	58,000
Selling expenses	175,000	Accounts payable	80,000
Interest expense	8,000	Sales	3,200,000
Administrative expense	153,000	Gratuity payable	12,000
Accounts receivables	105,000	Retained earnings at 1 January 2015	130,000
Land and buildings at cost	840,000	Accu. depreciation-buildings at 1 January	166,000
Plant and machinery at cost	714,000	Accu. depreciation-plant and machinery at 1 January	368,000
Cash and cash equivalents	20,000	Interest payable	5,000
	<u>4,422,000</u>		<u>4,422,000</u>

You also obtained the following additional information:

- Depreciation is to be provided on the straight-line method on buildings and plant and machinery at 2% and 20% per annum respectively. The cost of the buildings at 31 December was Tk. 650,000.
- Inventories at 31 December 2015 comprised raw materials Tk.100,000, work in progress Tk.12,000 and finished goods Tk.58,000.
- The cost of supplies consumed is to be considered Tk.8,000.
- Provision is to be made for income tax @ 35%, based on the results of the year.
- A bonus issue of shares @10% of the paid up capital took place during the year. Management decided to transfer additional Tk.21,000 to the general reserve.
- The original bank loan of Tk.174,000 was taken out on 1 January 2006 for a term of 15 years, repayable in equal monthly installments on the 25th day of each month.

Requirements:

- Prepare Statement of Comprehensive Income for the year ended 31 December 2015. 12
- Prepare Statement of Financial Position at that date in accordance with the requirements of BAS 1. 13

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks | | | | | | | | |
|---|-------------|-------------|--------------|-----------|---------------------------|------------|---------------------------|------------|--|
| 1. (a) Briefly explain the purposes of Financial Statements.
With reference to the BAS-1: Presentation of Financial Statements, outline all the components of a set of Financial Statements. | 4 | | | | | | | | |
| (b) Identify any four users of financial statements and explain their needs for accounting information. How does the user get accounting information? | 4 | | | | | | | | |
| (c) The conceptual framework of accounting recognizes qualitative characteristics of financial information that is useful for decision making. Explain. | 4 | | | | | | | | |
| 2. (a) Identify the accounting concept involved in transactions recording and explain the correct accounting treatment for each of the following: | 6 | | | | | | | | |
| (i) Only 10 months' salaries Tk.100,000 are shown in the Trial Balance of Rahman Enterprise for the year ended 31 December 2015. An equal amount is paid for salaries for each month of the year. | | | | | | | | | |
| (ii) Tk.4,600 had been charged to general expenses for the owner's private holiday. | | | | | | | | | |
| (iii) A customer, owing Tk. 5,040 has been declared bankrupt. This amount is to be written off. | | | | | | | | | |
| (b) Write down two transactions which have the following effect in the accounting equation: | 2 | | | | | | | | |
| Assets = Liabilities + Owners' Equity. Increase assets, increase owner's equity and decrease assets. | | | | | | | | | |
| (c) The following relate to the business of Kafi Enterprise for the year ended December 31, 2015. | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;">Sales</td> <td style="text-align: right;">Tk. 688,560</td> </tr> <tr> <td>Sales return</td> <td style="text-align: right;">Tk. 7,600</td> </tr> <tr> <td>Opening Inventory at cost</td> <td style="text-align: right;">Tk. 27,560</td> </tr> <tr> <td>Closing Inventory at cost</td> <td style="text-align: right;">Tk. 36,280</td> </tr> </table> | Sales | Tk. 688,560 | Sales return | Tk. 7,600 | Opening Inventory at cost | Tk. 27,560 | Closing Inventory at cost | Tk. 36,280 | |
| Sales | Tk. 688,560 | | | | | | | | |
| Sales return | Tk. 7,600 | | | | | | | | |
| Opening Inventory at cost | Tk. 27,560 | | | | | | | | |
| Closing Inventory at cost | Tk. 36,280 | | | | | | | | |
| Gross profit for the year is $33\frac{1}{3}$ of cost of goods sold. | | | | | | | | | |
| | 8 | | | | | | | | |
| You are required to calculate the: | | | | | | | | | |
| (i) Turnover. | | | | | | | | | |
| (ii) Cost of goods sold. | | | | | | | | | |
| (iii) Amount of purchases. | | | | | | | | | |
| 3. (a) "An error is an irregularity in the accounting records that makes the financial Statements invalid". With this view (i) List five accounting errors that do not affect the agreement of the trial balance and (ii) List five accounting errors that affect the agreement of the trial balance. | 6 | | | | | | | | |

- (b) The following are extracts from the cash and bank statements of IPM Ltd for the month of April, 2016.

Cash Book

Date		DR Taka	Date		CR Taka
April 1	Balance b/d	60,000	April 2	Rahman	2,200
" 7	Mark Taylor	14,000	" 11	Ehasan	5,120
" 13	Yassir Hosain	4,900	" 17	Oishee Hossen	7,600
" 16	Niaz Ahmed	9,780	" 25	Mohaimin	1,840
" 27	Shaila Khan	<u>3,800</u>	" 30	Balance c/d	<u>75,720</u>
		<u>92,480</u>			<u>92,480</u>

Bank Statement Details		Debit Taka	Credit Taka	Balance Taka
April 1	Balance b/d	-	-	60,000
" 3	Rahman	2,200	-	57,800
" 7	Mark Taylor	-	14,000	71,800
" 13	Ehasan	5,120	-	66,680
" 13	Yassir Hossain	-	4,900	71,580
" 19	Credit transfer to Nil	-	900	72,480
" 22	Niaz Ahmed	-	9,780	82,260
" 30	Bank charges	160	-	82,100
" 30	Insurance	1,250	-	80,850
" 30	Provident Fund	2,570	-	78,280

Requirement:

- (i) Prepare the adjusted cash book as at 30th April, 2016.
(ii) Draw up a bank reconciliation statement as at 30th April, 2016.

8
7

- (c) Carol Eaton's accountant has prepared her trial balance which did not balance. The trial balance contained a suspense account balance of Tk.1,110 (credit balance). Realizing that this did not balance, the following errors were discovered by Mike, the internal auditor.

- (i) A credit note for Tk.2,850 was entered on the customer account of P Scott but no entry was made in the returns account.
(ii) The sales account was overcast by Tk.4,800.
(iii) Tk.2,970 of goods withdrawn for Carol's personal use was entered into the drawings account but no other entries were made.
(iv) A discount allowed of Tk 2,520 was credited in error to the discount received account.
(v) Cash sales of Tk 19,780 had not been entered into the sales account.
(vi) A bad debt of Tk 6,300 had been entered in the customer's account but not the bad debt account.
(vii) The purchases account had been under cast by Tk. 2,650.

Requirement: Prepare a suspense account to correct the errors discovered showing clearly the opening and closing balances. (Note: Journal entries are not required.)

10

4. (a) Explain Depreciation and Useful Life of Fixed Assets.

2

- (b) List the factors or causes that contribute to depreciation of a Fixed Asset.

3

- (c) Kabab Ghar does not keep a set of accounting records for its business operations. For the year ended 31 December 2015, the following information was made available:

Opening inventory Tk.7,000, Cost of goods available for sale Tk.227,000, Net profit Tk.8,000, Net current assets Tk.9,000, Short-term loan Tk.1,600, Cost of sales Tk.180,000, Gross profit percentage on sales is 10% , Net book value of non-current assets Tk.163,000, Accounts payable Tk.1,400 and Long-term loans Tk.80,000. Current assets are 4 times higher than current liabilities.

12

Requirement: Calculate the following for Kabab Ghar on 31st December 2015:

- (i) Sales.
- (ii) Purchases.
- (iii) Closing inventory.
- (iv) Total operating expenses.
- (v) Total value of current assets.
- (vi) Capital.

5. Top Clean Services has the following unadjusted trial balance after a month of operation as on 30 September 2016:

Trial Balance		
	Debit	Credit
	Taka	Taka
Cash	5,400	
Accounts Receivable	2,800	
Supplies	1,300	
Prepaid Insurance	2,400	
Equipment	60,000	
Notes Payable		40,000
Accounts Payable		2,400
Owner's Capital		30,000
Owner's Drawings	1,000	
Service Revenue		4,900
Salaries & Wages Expenses	3,200	
Utilities Expense	800	
Advertising Expense	400	
	<u>77,300</u>	<u>77,300</u>

Other information are:

- (i) Insurance expense is Tk.200 per month.
- (ii) Tk.1,000 of supplies are in hand at September 30.
- (iii) Monthly depreciation on the equipment is Tk.900.
- (iv) Interest of Tk.500 on the notes payable has accrued during September.

Required to prepare:

- (a) Adjusted Trial Balance.
- (b) Income Statement for the month of September 2016 and Balance Sheet as on 30 September 2016.
- (c) Closing Journal entries.

5

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4

ACCOUNTING
Time allowed – 2 hours
Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

Marks

1. (a) What is a Statement of Financial Position? How does information of Statement of Financial Position help the users to make economic decisions? 4
- (b) What is a cash book? How discount is treated in the cash book? 4
- (c) How would you account for material amount of inventory destroyed by fire or stolen which was subject to insurance claim? 4
- (d) When an existing accounting policy may be changed? State the accounting treatment required. 3

2. Sakib Enterprise discovered the following irregularities in the accounting records for the month ended 31 March 2017.
 - 1) Purchase of office equipment for Tk. 23,000 has been debited to raw materials inventory account.
 - 2) Salary payment of Tk. 2,400 has been debited to salary expense. Tk. 400 of which are paid for the accruals made in February 2017.
 - 3) Payment to supplier for previous due of Tk. 4,500 is credited to cash for Tk. 5,400.
 - 4) Pre-paid insurance expired for Tk. 6,500 which is credited to pre-paid rent for Tk. 5,600.
 - 5) Sales of Tk. 8,900 on account have not been recorded.
 - 6) A raw materials purchase of Tk. 350 had been recorded in the purchase account as Tk. 850, but the accounts payable account was correctly written up.
 - 7) The purchase day book included a credit note for Tk. 230 as an invoice in the total column. The correct entry was made in the purchase account.

Required:

- (i) Prepare the correcting entries assuming that the enterprise prepares monthly financial statements. 7
- (ii) Show the adjustment of the correcting entries on profit or loss. Assume profit before correcting the errors was Tk. 49,000. 3

3. (a) Adjusted trial balance of Hussein and Co. for the year ended 31 December 2016 is enumerated below:

<u>Account Name</u>	<u>Debit Taka</u>	<u>Account Name</u>	<u>Credit Taka</u>
Cash	7,000	Accumulated Depreciation	33,750
Accounts Receivable	22,000	Accounts Payable	5,000
Supplies (closing inventory)	5,500	Interest Payable	150
Pre-paid insurance	2,500	Notes Payable	5,000
Equipment	58,000	Unearned Service Revenue	5,600
Owner's drawings	2,000	Salaries Payable	1,500
Salaries expense	11,500	Owner's Equity	14,500
Insurance expense	750	Service Revenue	63,000
Interest expense	500		
Depreciation expense	6,750		
Supplies expense	8,000		
Rent expense	4,000		
	<u>128,500</u>		<u>128,500</u>

Required:

- (i) Prepare the closing entries. 6
- (ii) Prepare the post-closing trial balance. 6

- (b) Keya's Cash Book at 30 November 2016 showed an overdrawn position of Tk. 3,630 although her bank statement showed only Tk. 2,118 overdrawn. Detailed examination of the two records revealed the following:
 - 1) The debit side of the cash book had been undercast by Tk. 300.
 - 2) A cheque for Tk. 1,560 in favor of Rabeya Suppliers Ltd. had been omitted by the bank from its statement, the cheque having been debited to another customer's account.
 - 3) A cheque for Tk. 182 drawn for payment of the telephone bill had been entered in the cash book as Tk. 128 but was shown correctly on the bank statement.
 - 4) A cheque for Tk. 210 from Wasi having been paid into the bank was dishonored and shown as such on the bank statement although no entry relating to the dishonor had been made in the cash book.
 - 5) The bank had debited a cheque for Tk. 126 to Keya's account in error; it should have been debited by the bank to Kemmy's account.

- 6) A dividend of Tk. 90 on Keya's holding of Ordinary Shares has been paid direct to her bank account and no entry made in the cash book.
- 7) Cheques totaling Tk. 1,260 drawn on 29 November had not been presented for payment
- 8) A lodgment of Tk. 1,080 on 30 November had not been credited by the bank.
- 9) Interest amounting to Tk. 228 had been debited by the bank but not entered in the cash book.

Required:

- (i) Make any necessary entries in the cash book to prepare the corrected cash book. 7
- (ii) Prepare a bank reconciliation statement based on the corrected cash book as at 30 November 2016. 7

4. (a) During the month of June 2016, RACO Resources Ltd. completed the following transactions:

- 1) Performed services for a customer of Tk. 10,000 and received cash of Tk. 7,500.
- 2) Purchased supplies on account, Tk. 7,000.
- 3) Paid Tk. 5,000 on accounts payable.
- 4) Collected cash Tk. 1,500 from a customer and paid tuition fees of Tk. 500 for son of owner.
- 5) Paid office rent Tk. 900 and advertising expenses Tk. 300.

Required:

Analyse the effects of the preceding transactions on the accounting equation of RACO Resources Ltd. 5

(b) The following account is extracted from the income statement of Mr. Smith for the year ending 31 December 2016:

	<u>Taka</u>
Sales	2,71,400
Less Cost of goods sold:	
Opening inventory	34,000
Add: Purchase	<u>2,37,000</u>
	2,71,000
Less: Closing inventory	<u>(41,000)</u>
	<u>(2,30,000)</u>
Gross Profit	<u>41,400</u>

Mr. Smith says that normally he adds 20% to the cost of goods to fix the sales price. However, this year there was some arithmetical errors in these calculations.

Required:

- (i) Calculate what his sales would have been if he had not made any error. 3
- (ii) Given that his expenses remain constant at 9% of his sales, calculate his net profit for the year 2016. 4
- (iii) He thinks that next year he can increase his mark up to 25%, selling goods which will cost him Tk. 2,60,000. If he does not make any more error in calculating selling prices, you are to calculate the expected gross and net profits for 2016. 5

5. The following trial balance related to Shaad Limited as at 31 March 2017:

	Debit	Credit
	<u>Taka ('000)</u>	<u>Taka ('000)</u>
Revenue	-	427,600
Administrative expense	17,000	-
Selling and distribution expense	17,400	-
Cost of sales	287,600	-
Closing inventories at 31 March 2017	21,000	-
Long term borrowings	-	10,000
Income from investment property	-	4,800
Finance costs	10,000	-
Gratuity payable (long term)	-	1,200
Cash and cash equivalents	3,600	-
Land and Building at valuation	126,000	-
Plant and equipment at cost	72,000	-
Accumulated depreciation on plant and equipment at 1 April 2016	-	33,600
Investment property at valuation on 1 April 2016	32,000	-
Plant held for sale	16,000	-
Accounts and other receivable	27,000	-
Short term borrowings	-	1,800
Accounts and other payable	-	23,600

Ordinary shares of Tk. 20 each	-	40,000
Irredeemable preference shares of Tk. 10 each	-	10,000
Revaluation reserve	-	42,000
Retained earnings at 1 April 2016	-	35,000
	<u>629,600</u>	<u>629,600</u>

The following notes are relevant:

- i. An inventory count at 31 March 2017 listed some damaged goods that had cost Tk. 1.6 million. These items could be sold for an estimated Tk. 1 million.
- ii. Finance costs include an ordinary dividend of Tk. 2 per share that was paid in September 2016.
- iii. Land and Building were revalued at Tk. 30 million and Tk. 96 million respectively on 1 April 2016 creating Tk.42 million revaluation reserve. At this date the remaining life of the building was 15 years. Building is depreciated on straight line basis. The Company does not make a transfer to realize profits in respect to excess depreciation.
- iv. Plant and equipment is depreciated at 12.50% on the reducing balance basis. Depreciation on both the building and the plant & equipment should be charged to cost of sales.
- v. On 31 March 2017 a qualified surveyor valued the investment property at Tk. 27 million. The Company uses the fair value model in BAS 40 Investment Property to value investment property.
- vi. The rate of corporate income tax is 35%.

Required:

- (i) Prepare the statement of comprehensive income for the year ended 31 March 2017; and 16
- (ii) Prepare the statement of financial position as at 31 March 2017. 16

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence]

- | | Marks |
|---|-------|
| 1. (a) How would you adjust profit for errors, if required? | 3 |
| (b) What are the major factors considered in determining what depreciation method to use? | 3 |
| (c) Define 'Unearned Revenue' with an example. What are the mandatory conditions to transfer unearned revenue to earned income? | 4 |
| (d) Define Accrual Basis of Accounting. How it impacts in preparing financial statements at any given point in time. | 4 |
| (e) What is Deferred Expenditure? How does an accountant misuse this concept? | 3 |

2. Mr. Islam is a sole trader who has provided his accountant with the following accounts balances of M/S. Islam Enterprise as at 31 December 2016:

<u>Heads of account</u>	<u>Taka</u>	<u>Heads of account</u>	<u>Taka</u>
Sales	2,500	Mr. Hussein (supplier)	950
Bank	3,750	Discount allowed	70
Purchases	1,700	Discount received	90
Mr. Hassan (customer)	790	VAT owing to NBR	1,340

The following transactions took place during January 2017. VAT is levied at 15%.

January 2	Sales to Mr. Hassan on credit Tk.600 plus VAT.
January 3	Purchases from Mr. Hussein Tk.400 plus VAT.
January 8	A credit note was sent to Mr. Hassan for goods returned of Tk.150 inclusive VAT.
January 9	A credit note was received from Mr. Hussein for Tk.100 inclusive of VAT.
January 14	Mr. Hassan pays Mr. Islam Tk.1,250 by cheque in full settlement of his account; the remainder being treated as a discount.
January 19	Mr. Islam pays Mr. Hussein by cheque Tk.1,300 in full settlement of his account with anything remaining to be treated as a discount.
January 26	Mr. Islam takes Tk.200 out of the bank account for his own personal use.
January 31	Mr. Islam pays NBR (Revenue and Customs) for the amount owing as at 31 January 2013.

Required:

- | | |
|---|----|
| (a) Record all the transactions for January 2017. | 10 |
| (b) Open the ledger balances as at 1 January with the opening balances and record the above transactions in the bank, customer, supplier and VAT ledger accounts for the month of January 2017. | 10 |
3. Jahan enterprise started working with a one-year accounting period that ends on 31 December 2016. Jahan's extract of trial balance as on 31 December 2016 was as follows:

<u>Account Name</u>	<u>Taka</u>	<u>Account Name</u>	<u>Taka</u>
Supplies	2,500	Salaries expense	4,000
Pre-paid insurance	4,800	Accounts payable	42,900
Equipment	40,000	Unearned revenue	8,400
Note receivable	15,000	Service revenue	15,000

- 1) On 31 December 2016 employees took a physical count of the supplies in stock. That physical count reveals a closing stock of supplies amounting to Tk.1,200.
- 2) On 31 August 2016, Tk.4,800 was paid for a two-year insurance policy.
- 3) On 1 April 2016, the company acquired equipment of Tk.40,000 for cash. Management expects to use the equipment for 8 years on straight line basis with no salvage value.
- 4) On 25 July 2016, Jahan signed a service contract with a client and the client pays Tk.8,400 cash. The contract states that Jahan will provide monthly services for 12 months, beginning on 1 August 2016.
- 5) On 31 December 2016, the accountant questions the managers and discovers that revenue of Tk.12,500 has been earned (the services have been provided) but the clients have not yet been billed.

- 6) On 1 October 2016, the company provides services of Tk.15,000 to a client. The client will not be able to pay for the services until 1 April 2017. Thus, the client signs a promissory note for 6 months. The note bears 6% annual interest.

Required:

- (a) Analyze the effects of the preceding transactions on the accounting equation of Jahan Enterprise and prove the equality of the equation. 8
(b) Prepare necessary adjustment entries. 6
(c) Complete an adjusted trial balance from the data provided. 6

4. The Bank Column of Cash Book of Tom & Co shows a debit balance of Tk.1,050 as on 30 June 2017. However, according to Bank Statement the balance was overdrawn. On investigation you find the following:

- The receipt column of Cash Book has been overstated by Tk.1,100
- Cheque drawn and entered in the Cash Book in June 2017 amounting to Tk.1,670 was not presented until July, 2017.
- Discount received from a supplier of Tk.100 had been included with the cheque entered in the Bank column of the Cash Book in April 2017.
- An amount of Tk.750 paid directly into Tom's account by a customer not entered in the Cash Book.
- A cheque payment of Tk.1,230 in April 2017 had been entered in the Cash Book as Tk.1,320.
- The Bank had charged the business account with a cheque for Tk.2,200 in February 2017, which should have been passed through owners private account.
- Bank Charges of Tk.80 at 31 December 2016 and Tk.100 at 30 June 2017 had not yet been entered in The Cash Book.
- Cheque to the value of Tk.3,780 received from the customers were recorded in the Cash Book on 28 June 2017 but not entered by the bank until 2 July 2017.

Required:

Prepare the adjusted Cash Book and Bank reconciliation statement.

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5. The following ledger balances relates to M/S. Ibrahim Limited as at 30 June 2017:

<u>Ledger balances</u>	<u>Taka</u>	<u>Ledger balances</u>	<u>Taka</u>
Inventory at 1 July 2016	4,875,000	Accounts payables	4,665,000
Cash and bank balances	250,000	Sales	23,250,000
Accounts receivable	4,550,000	Other income	1,062,500
Purchases	12,700,000	10% Borrowings (bank loan)	2,000,000
Office and administrative expenses	1,625,000	Revaluation reserve	1,750,000
Salary and allowances (office)	687,500	Retained earnings	2,825,000
Selling and distribution expenses	1,540,000	Acc. depreciation - plant and equipment	2,250,000
Wages and allowances	625,000	Provision for bad debts	250,000
Other direct expenses	1,165,625	General reserve	706,250
Investment in fixed deposit	750,000	Bank overdraft	575,000
Land at valuation	7,125,000	Gratuity payable	109,375
Plant and equipment at cost	4,500,000	Share capital of Tk. 10 each	2,000,000
Intangible assets	1,050,000		

The following additional information should also be considered:

- 1) Inventory at the end of year is Tk.3,020,000.
- 2) The company depreciates plant and equipment @ 10% straight line basis. Land is revalued every two years. A valuation has just been carried out, showing that it has increased in value by Tk.450,000. An impairment review of intangibles has shown that Tk.105,000 should be written off.
- 3) The receivable of Tk.180,000 from a customer should be written off as irrecoverable, and the provision for bad and doubtful debts should be increased to Tk.300,000.
- 4) Borrowings are payable in 8 yearly installments. First installment will be due and paid on 1 July 2017.
- 5) A 10% dividend was declared and approved during the year but not yet paid. Corporate tax rate is 35%.

Required:

- (a) Prepare the Statement of Comprehensive Income for the year ended 30 June 2017 13
(b) Prepare the Statement of Financial Position as at 30 June 2017. 15